

FINAL OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 2, 2004

Rating:**Moody's Investors Service: Aaa****Standard and Poor's: AAA****Ambac Insured****New Issue**

In the opinion of Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

CITY OF DOVER, NEW HAMPSHIRE \$9,816,000 GENERAL OBLIGATION BONDS

DATED
June 15, 2004

DUE
June 15
(as shown below)

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, except for two \$1,000 denominations maturing in 2005. See "Book-Entry-Only System" herein.

Principal of the Bonds will be paid on June 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on June 15 and December 15, commencing December 15, 2004. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

An opinion of Bond Counsel will accompany the Bonds to the effect that the Bonds are valid general obligations of the City of Dover, New Hampshire, and that all taxable property in the City is subject to taxation without limitation as to rate or amount to pay the Bonds and the interest thereon.

The Bonds are subject to redemption prior to their stated dates of maturity as set forth herein.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS, CUSIPS

<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP #</u> <u>260183</u>	<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP #</u> <u>260183</u>
2005	\$ 71,000	3.50 %	1.50 %	QF8	2013	\$ 575,000	4.00 %	3.80 %	QP6
2006	635,000	3.50	2.00	QG6	2014	575,000	4.00	3.90	QQ4
2007	635,000	3.50	2.45	QH4	2015	575,000	4.00	4.00	QR2
2008	635,000	3.50	2.80	QJ0	2016	555,000	4.10	4.10	QS0
2009	635,000	3.50	3.10	QK7	2017	550,000	4.20	4.20	QT8
2010	635,000	3.50	3.30	QL5	2018	550,000	4.30	4.30	QU5
2011	575,000	3.75	3.50	QM3	2019	550,000	4.40	4.40	QV3
2012	575,000	4.00	3.65	QN1	2020	515,000	4.50	4.50	QW1

\$410,000 Term Bond @ 4.60% maturing June 15, 2022 @ 4.625% Cusip # QY7

\$565,000 Term Bond @ 4.70% maturing June 15, 2025 @ 4.75% Cusip # RB6

The Bonds are offered subject to the final approving opinion of Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company has acted as Financial Advisor to the City of Dover, New Hampshire with respect to the Bonds. The Bonds in definitive form will be delivered to DTC on or about June 15, 2004, against payment to the City in federal reserve funds.

Legg Mason Wood Walker, Inc.

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The information set forth herein has been obtained from the City and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Dover, or its agencies and authorities, since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date and Time of Sale:	Wednesday, June 2, 2004, at 11:00 A.M., Eastern Time.
Location of Sale:	First Southwest Company, 54 Canal Street, Boston, Massachusetts.
Issuer:	City of Dover, New Hampshire.
Issue:	\$9,816,000 General Obligation Bonds, referred to as "the Bonds."
P. O. S. Dated:	May 18, 2004.
Dated Date of the Bonds:	June 15, 2004.
Principal Due:	June 15, 2005 through June 15, 2025, as detailed herein.
Interest Due:	Semiannually on June 15 and December 15, commencing December 15, 2004.
Purpose and Authority:	Bond proceeds will finance a variety of capital improvements as authorized by the City Council under provisions of Chapter 33 of the New Hampshire Revised Statutes Annotated, as detailed herein.
Redemption:	The Bonds are subject to redemption prior to their stated dates of maturity as set forth herein.
Security:	The Bonds will be valid general obligations of the City of Dover, New Hampshire, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City without limitation as to rate or amount.
Credit Rating:	Moody's Investors Service has assigned a rating of Aaa to the Bonds and Standard and Poor's Corporation has assigned a rating of AAA to the Bonds, based on the Ambac insurance on the Bonds (see "Ratings" herein).
Bond Insurance:	Ambac insured.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	Refer to "Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion".
Continuing Disclosure:	Refer to Appendix C.
Bank Qualification:	The Bonds WILL be designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Registrar and Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Palmer & Dodge LLP, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about June 15, 2004 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Jeffrey Harrington, Finance Director, City of Dover, New Hampshire (telephone: 603-516-6038) or Peter B. Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts (telephone: 617-619-4409).

NOTICE OF SALE

CITY OF DOVER, NEW HAMPSHIRE \$9,816,000 GENERAL OBLIGATION BONDS

The City of Dover, New Hampshire, will receive sealed or electronic (as described herein) proposals until 11:00 A.M. Eastern Time, Wednesday, June 2, 2004, for the purchase of the following described General Obligation Bonds (the "Bonds") of the City:

\$9,816,000 General Obligation Capital Improvements Bonds payable June 15 of the years and in the amounts as follows:

<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>
2005	\$ 71,000	2014	\$ 575,000
2006	635,000	2015	575,000
2007	635,000	2016	555,000
2008	635,000	2017	550,000
2009	635,000	2018	550,000
2010	635,000	2019	550,000
2011	575,000	2020	515,000
2012	575,000	2022 Term 1	410,000
2013	575,000	2025 Term 2	565,000

The Bonds will be dated June 15, 2004. Principal of the Bonds will be payable on June 15 of the years in which the Bonds mature. The City reserves the right to decrease such principal amounts shown for the Bonds for any year provided that the decrease in the aggregate principal amount of the Bonds shall not exceed the premium, if any, bid for the bonds, rounded upward to the nearest \$5,000 amount. Any such premium bid for the Bonds will be used to restructure the Bonds to be issued as described below. Interest will be payable semiannually on June 15 and December 15, commencing December 15, 2004.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, except for two principal amounts of \$1,000 maturing in 2005, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to Beneficial Owners by participants of DTC will be the responsibility of such participants and other nominees of the Beneficial Owners. The City will not be responsible or liable for maintaining, supervising, or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

Principal of and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede and Co., is the Bondowner, such payments will be made directly to DTC. Disbursements of such payments to the DTC Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Bonds maturing on or prior to June 15, 2014 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after June 15, 2015 shall be subject to redemption prior to maturity, at the option of the City, on or after June 15, 2014, either in whole or in part at any time, and if in part, by lot within a maturity, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption</u> <u>Price</u>
June 15, 2014 and thereafter	100.0%

For Bonds maturing on and after June 15, 2015, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on June 15 of the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20th or 1/8th of 1% but shall not state (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. No bid of less than par and accrued interest to date of delivery will be considered.

As between proposals which comply with this Notice, the award of the Bonds will be to the bidder who offers to purchase all of the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of June 15, 2004, discounts semiannually all future payments of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer from among all such proposals.

The principal amount of the Bonds set forth herein assumes that the City will receive no premium upon the sale of the Bonds. After selecting the winning bids, the amortization schedules of the Bonds may be adjusted as necessary in \$5,000 increments to reflect the actual premium bid, if any. Such adjustments shall not change the aggregate principal amounts of the Bonds to be issued by more than the amount of the respective premium bid, if any, rounded up to the closest \$5,000. The dollar amount bid for the Bonds by winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder within 1 hour after the opening of the bids.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Jeffrey Harrington, Treasurer, City of Dover, New Hampshire, c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company or,
- (b) Electronically via PARITY in accordance with this Notice of Sale. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact the financial advisor to the City or Dalcomp at 40 West 23rd Street, 5th Floor, New York, New York 10010, telephone (212) 404-8102.

The right is reserved to reject any or all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The City of Dover has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for the rating of the Bonds. Any such fee paid to Moody's Investors Service would be borne by the issuer.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated May 18, 2004, (b) a certificate in form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of delivery of the Bonds the Final Official Statement does not contain

any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Additional information concerning the City of Dover and the Bonds is contained in the Preliminary Official Statement dated May 18, 2004 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the City as of its date for purpose of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Mr. Jeffrey Harrington, Finance Director, City of Dover, 288 Central Street, Dover, New Hampshire 03820 (telephone: 603-516-6038) or from First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (telephone: 617-619-4400). Following the award of the Bonds in accordance herewith, 100 copies of the Final Official Statement will be available from First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The City assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company on or about June 15, 2004 against payment in federal reserve funds.

CITY OF DOVER, NEW HAMPSHIRE
/s/ Jeffrey Harrington,
Finance Director

May 18, 2004

OFFICIAL STATEMENT
CITY OF DOVER, NEW HAMPSHIRE
\$9,832,000 GENERAL OBLIGATION BONDS

INTRODUCTION

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the City of Dover, New Hampshire (the "City") in connection with the sale of \$9,832,000 aggregate principal amount of its General Obligation Capital Improvement Bonds, hereinafter referred to as the "Bonds." The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated June 15, 2004 and will bear interest payable semiannually on June 15 and December 15 of each year until maturity, commencing December 15, 2004. The Bonds shall mature on June 15 of the years and in the principal amounts as set forth on the cover page of this Preliminary Official Statement.

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, except for two principal amounts of \$1,000 maturing in 2005 and purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry-Only System" herein.)

Principal of and semiannual interest on the Bonds will be paid by U.S. Bank National Association, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to redemption as described below.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to June 15, 2014 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after June 15, 2015 shall be subject to redemption prior to maturity, at the option of the City, on or after June 15, 2014, either in whole or in part at any time, and if in part, by lot within a maturity, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
June 15, 2014 and thereafter	100.0%

Mandatory Redemption

If the successful bidder designates principal amounts of the Bonds to be combined into one or two Term Bonds (which may be done only for principal amounts in consecutive years and only for the years after 2014), each such Term Bond shall be subject to mandatory redemption commencing on June 15 of the first year which has been combined to form such Term Bonds and continuing on June 15 in each year thereafter until the stated maturity date of that Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule on cover of this Official Statement. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The City Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the City or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

The Bonds maturing June 15, 2022 and June 15, 2025 respectively (the “Term Bonds”) are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts set forth below “the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

\$410,000 Term Bonds Maturing June 15, 2022

<u>Year</u>	<u>Principal Amount</u>
June 15, 2021	\$205,000
June 15, 2022 *	205,000

*Final maturity.

\$565,000 Term Bonds Maturing June 15, 2025

<u>Year</u>	<u>Principal Amount</u>
June 15, 2023	\$ 205,000
June 15, 2024	205,000
June 15, 2025 *	155,000

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest on the Bonds is the last business day of the month preceding the interest payment date. With respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date to the Bondowner. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of bond and note certificates. Direct Participants include both U.S. and non-U.S. Securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of securities held by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities held by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities held by DTC, except in the event that use of the book-entry system for the such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amounts of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of the securities or its paying agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, the City, or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of the securities, or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry system transfers through DTC (or a successor securities depository). In that event, Bond securities will be printed and delivered

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source of Payment and Remedies

In the opinion of Bond Counsel, the Bonds when duly issued will constitute valid general obligations of the City of Dover and all taxable property in the City is subject to taxation without limit as to rate or amount to pay the same.

Chapter 33 of the New Hampshire Revised Statutes Annotated ("RSA"), known as the "Municipal Finance Act", provides that the amount of each payment of principal and interest on all loans issued by a municipality shall, without vote of the municipality, be annually assessed and collected. (No provision is made, however, for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.)

The obligations of the City and the enforcement thereof are subject to the exercise of the sovereign police powers of the State of New Hampshire and the constitutional powers of the United States of America, to the federal bankruptcy act and other existing and future laws affecting creditors' rights to the extent the same may be constitutionally applied, and to the exercise of judicial discretion in accordance with general equitable principles.

Authorization of the Bonds and Use of Proceeds (1)

The Bonds are being issued in the amounts, for the purposes and pursuant to loan resolutions adopted by the City Council as follows:

Purpose	Approval Date	Resolution Number	Amount Authorized	This Issue
General:				
Butterfield Gym Improvements	2/12/2003	C-5	55,000	\$ 8,000
City Hall Heating Upgrade	8/13/2003	11C-5	350,000	207,000
McConnell Bldg Improvements	1/28/2004	3-E	425,000	425,000
Ambulance Purchase	1/28/2004	3-E	120,000	120,000
General Streets Improvements	1/28/2004	3-E	1,000,000	1,000,000
Drainage System Impr Study	1/28/2004	3-E	150,000	150,000
Tolend Rd Landfill Remediation	1/28/2004	3-E	500,000	500,000
Street Improvements - Glenwood Ave	1/28/2004	3-E	200,000	200,000
Street Reconstruction - Henry Law Ave	1/28/2004	3-E	1,000,000	1,000,000
Henry Law Park Bandshell/Improvements	1/28/2004	3-E	185,000	185,000
Indoor Pool Lobby Renovations	1/28/2004	3-E	295,000	295,000
Total General				<u>\$ 4,090,000</u>
School:				
Garrison School - Systems Upgrade	12/10/2003	C-1	\$ 1,475,000	\$ 1,475,000
Dover High School Space Renovations	12/10/2003	C-1	275,000	275,000
Horne Street School Improvements	12/10/2003	C-1	225,000	225,000
Total School				<u>\$ 1,975,000</u>
Enterprise:				
Water Main Repl - Dover Pt	2/12/2003	C-5	\$ 1,000,000	\$ 1,000,000
Water Exploration	1/28/2004	3-E	100,000	100,000
Wellhead Protection	1/28/2004	3-E	100,000	100,000
Water Main Repl - Dover Pt	1/28/2004	3-E	500,000	500,000
Water Main Repl - Broadway Area	1/28/2004	3-E	625,000	625,000
Total Enterprise				<u>\$ 2,325,000</u>
Sewer:				
Sewer Main - Berry Brook Upgrade	4/16/2002	2-A	\$ 800,000	\$ 212,000
WWTP - Blower Building	4/16/2002	2-A	275,000	89,000
Pump Station Equipment Replace-Maint.	1/28/2004	3-E	150,000	150,000
Pump Station Upgrade - River St	1/28/2004	3-E	100,000	100,000
Pump Station VFD Upgrade - River St.	1/28/2004	3-E	250,000	250,000
Sewer Main - Glenwood Ave	1/28/2004	3-E	525,000	525,000
Sewer Main - Varney Br Forcemain Redesign	1/28/2004	3-E	100,000	100,000
				<u>\$ 1,426,000</u>
TOTALS				<u>\$ 9,816,000</u>

Principal Payments by Purpose

Fiscal Year	General Fund	School	Water Enterprise	Sewer Enterprise	Total
2005	\$ -	\$ -	\$ 50,000	\$ 21,000	\$ 71,000
2006	273,000	113,000	153,000	96,000	635,000
2007	273,000	113,000	153,000	96,000	635,000
2008	273,000	113,000	153,000	96,000	635,000
2009	273,000	113,000	153,000	96,000	635,000
2010	271,000	115,000	153,000	96,000	635,000
2011	239,000	108,000	132,000	96,000	575,000
2012	239,000	108,000	132,000	96,000	575,000
2013	239,000	108,000	132,000	96,000	575,000
2014	239,000	108,000	132,000	96,000	575,000
2015	239,000	108,000	132,000	96,000	575,000
2016	224,000	107,000	130,000	94,000	555,000
2017	224,000	103,000	130,000	93,000	550,000
2018	224,000	103,000	130,000	93,000	550,000
2019	224,000	103,000	130,000	93,000	550,000
2020	211,000	102,000	130,000	72,000	515,000
2021	85,000	70,000	50,000	-	205,000
2022	85,000	70,000	50,000	-	205,000
2023	85,000	70,000	50,000	-	205,000
2024	85,000	70,000	50,000	-	205,000
2025	85,000	70,000	-	-	155,000
Total	<u>\$ 4,090,000</u>	<u>\$ 1,975,000</u>	<u>\$ 2,325,000</u>	<u>\$ 1,426,000</u>	<u>\$ 9,816,000</u>

Tax Exemption

In the opinion of Palmer & Dodge LLP, Bond Counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel has not opined as to other New Hampshire tax consequences arising with respect to the Bonds or as to the taxability of the Bonds or the income therefrom under the laws of any state other than New Hampshire. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that any pending, proposed or future legislation, including amendments to the Code, if enacted into law, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective holders of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a holder of the Bonds. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the holder or the holder's other items of income or deduction. Except as indicated in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the Bonds should consult with their own tax advisors with respect to such consequences.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.

Bank Eligibility

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.

Rating

Moody's Investors Service, Inc. and Standard and Poor's Corporation have assigned ratings of "Aaa" and "AAA" to the Bonds, respectively, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Ambac Assurance Corporation. See Appendix D attached hereto for a discussion of Ambac's bond insurance and ratings assigned to the Bonds. Said ratings reflect only the rating agencies' respective views and are subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company serves as financial advisor to the City of Dover. The City has consented to participation by First Southwest Company or any of its affiliates in the public bidding for the Bonds if they so desire.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and is incorporated by reference in the Bonds.

The City became obligated to make annual disclosure of certain financial information by filing with each nationally recognized securities information repository ("NRMSIR") in March 2001. Due to administrative oversight, the City filed its annual report for the fiscal year ending June 30, 2001 approximately three months late. A notice of late filing has been filed. The City prepared and submitted an annual report in March 2003 covering the City's activities for the fiscal year ending June 30, 2002. The City prepared and submitted an annual report in March 2004 covering the City's activities for the fiscal year ending June 30, 2003. The City has implemented procedures to ensure timely filing of all future information.

CITY OF DOVER, NEW HAMPSHIRE

General

The City of Dover, settled in 1623, is the oldest continuous settlement in New Hampshire and the seventh oldest in the United States. Dover is located ten miles from the Atlantic Ocean, 48 miles south of Portland, Maine and 68 miles north of Boston, Massachusetts. Situated at the confluence of the Cocheco, Salmon Falls and Bellamy Rivers, Dover is a major New Hampshire industrial, employment, and distribution center for the seacoast. Dover provides a gateway to both the Maine coast and the White Mountains of New Hampshire.

Form of Government

Dover operates under the council-manager form of government. The nine-member city council is the legislative body elected in non-partisan elections every two years, with one representative from each of six wards, two elected at large and a Mayor. Administrative functions are carried out by the city manager, who is appointed by vote of the council. Dover is the seat of Strafford County.

Mayor and City Council Members

<u>Ward</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Scott Myers	12/31/2005
1	Robert Keays	12/31/2005
2	Douglas Dede	12/31/2005
3	Matt Mayberry	12/31/2005
4	Dean Trefethen	12/31/2005
5	Darleen Colwell-Ellis	12/31/2005
6	Jerry Reese	12/31/2005
At Large	Jason Thomas Hindle	12/31/2005
At Large	Otis Perry	12/31/2005

City Officials

<u>Title</u>	<u>Name</u>	<u>Manner Selected</u>
City Manager	Paul Beecher	Appointed by Council
City Clerk	Judy Gauette	Appointed by Manager
Finance Director	Jeffrey Harrington	Appointed by Manager
Tax Collector	Ann Fredette	Appointed by Finance Director
Planning Director	Steven Stancel	Appointed by Manager
Police Chief	William Fenniman, Jr.	Appointed by Manager
Fire Chief	Perry Plummer	Appointed by Manager
Community Services Dir	Pierre Lavoie	Appointed by Manager
Public Library Director	Cathy Beaudoin	Appointed by Manager
Human Services Director	Janet Poulin	Appointed by Manager
City Assessor	Wil Corcoran	Selected By City Manager

Education

The Dover Public School System serves more than 4,000 students. There are three elementary schools (K-4), one new middle school (5-8), and a modern high school (9-12) that includes a well equipped regional vocational training facility. In addition, parochial schools offer grades K-12. The current combined capacity of the elementary, middle and high schools is 4,500.

The following table sets forth the actual and projected public school enrollments:

	Actual						Projected	
	1999	2000	2001	2002	2003	2004	2005	2006
Elementary Schools	1,306	1,347	1,277	1,276	1,293	1,342	1,440	1,318
Middles Schools	1,016	1,032	1,034	1,086	1,137	1,142	1,056	1,020
High Schools	1,550	1,587	1,682	1,670	1,682	1,742	1,952	1,882
Total	3,872	3,966	3,993	4,032	4,112	4,226	4,448	4,220

Dover School Department

The Dover School Department is a dependent school district. The City Council has bottom line appropriation authority. The Dover School Board has authority to allocate and move appropriations within its budget. The School Department participates in the City's Capital Improvements Program budget at the beginning of its budget process. The School Department's annual budget process begins with the School Board establishing several goals and a budget target. Principals and directors engage the teaching and support staff in the process of identifying student, curriculum and building needs. These managers submit their budget recommendations to the Superintendent. An extensive review process then takes place, culminating in the Superintendent's proposed budget, which is then submitted to the Dover School Board. The School Board conducts public workshops to discuss and recommend deletions, additions and adjustments to the budget. The Dover School Board votes and presents its recommended budget for the City Council to the City Manager by March 15th for inclusion within his recommended budget to the City Council. The School Department budget requires a separate public hearing before the City Council. Terms expire on December 31, 2005.

Dover School Board

Board Member	Ward	Board Member	Ward
Linda Brennan	1	Heather Orion Hindle	5
Valerie McKenney	2	Nicholas Skaltsis, Chairman	6
Carolyn Mebert	3	Doris Grady	At Large
Dorothea Hooper	4	Dr. John E. O'Connor, Interim Superintendent	

Post-Secondary Education

The University of New Hampshire (UNH) is located six miles from downtown Dover in Durham, New Hampshire. UNH offers over 80 undergraduate and 60 graduate areas of study with an enrollment of over 10,000. UNH also offers classes through the Division of Continuing Education and the School for Lifelong Learning.

Other facilities include McIntosh College, first established in Dover in 1896, which is a fully accredited two-year junior college that trains students for positions in business and industry. The New Hampshire Vocational Technical College, located in Stratham, only 25 minutes from Dover, provides vocational training in areas of industry, health and human services, and business. Southern New Hampshire University provides business courses in the neighboring City of Portsmouth, 10 minutes by car.

Utilities

Electric and Gas - Public Service Company of New Hampshire, interconnected with the New England Power Company Exchange, supplies all electrical power. Gas service is provided by Northern Utilities, Inc., Allied Gas Division and Sea 3. Both natural and LPG are available.

Water and Sewer - Water and sewer services are provided by the City through its Public Works and Utilities Division.

Transportation and Services

Manchester Airport is located approximately one hour west and Portland International Airport, Portland, Maine, is located one hour north of Dover. Amtrak passenger rail link service is now available between Portland and Boston with stops in Dover, Exeter and Durham, NH. Regional bus service is provided by COAST (Cooperative Alliance for Seacoast Transportation). Boston's Logan International Airport, as well as the financial and medical centers of Boston, are one hour's commute south. Pease International Tradeport, 10 minutes drive from Dover, provides passenger air travel service to New Jersey, Florida, Maine and Ohio.

Economic Development

The Commercial/Retail sectors continue its strong growth despite the closings of three long-time Dover retail businesses. In the Weeks Crossing area, a 97-room hotel is under construction and is expected to open in June. Another national restaurant chain, the 99 Restaurant, received approvals to build on a site adjacent to the hotel. Also in the area is the construction of a 40,000 sf multi-tenanted office building along with a recently completed 102-unit apartment complex.

The two mill buildings in the downtown continue to flourish. Since Liberty Mutual vacated the downtown mill building for their own property on Sixth Street, the centrally located mill buildings continue to attract Class A office tenants such as MBNA, PC Connections, and the National Passport Information Center.

The downtown has also welcomed 4 new restaurants to the urban core. Two have already opened, one in the Pacific Mill building and the other in the home of a restaurant that suffered a fire 2 years ago. The other two restaurants are expected to open in June.

Enterprise Park, created by the Dover Economic Development Corporation (DEDC), has eleven (11) tenants that provide 500 jobs in 300,000 sf of building space. DEDC is currently in negotiation with two different companies for a total of 50,000 sf of space.

In the same area of town, the Planning Board recently approved the construction of a 130,000 sf building for Advanced Systems. This square footage is for 2 buildings; one for processing and the other for office. It is expected that this will bring upwards of 800 jobs.

The residential market continues to flourish with 283 housing starts occurring in 2003. This number is primarily due to the more reasonably priced land and housing compared to that in the communities south of Dover.

The Textron facility has been developed into a multi-tenanted building much like the downtown mill buildings. The 300,000 sf building currently is home to 2 large companies, both leasing 50,000 sf each and employing a total of 75 people.

The Dover Planning Board successfully completed their recent round of rezoning with 42 proposed changes passing at the City Council level. Included in the rezoning effort were 200 new acres of industrial land, 200 acres for commercial uses, as well as changes intended to buffer the City from the effects of increased residential development.

Dover's Riverfront parcel has been cleared of City facilities, making it ready for redevelopment as a mixed-use development. The Dover City Council has appointed a new board to market the property and to enter into negotiations with potential users for the land. The board is exploring various options for the property, as well as various financing options. Dredging the Cochecho River, adjacent to this parcel, is scheduled to begin next winter during the dredge cycle. Previously scheduled to begin in this year's dredge cycle, delays at the federal level has made it necessary to begin in the fall of 2004. Once completed, the dredging is expected to create some economic opportunities for the City parcel that DEDC is considering in their redevelopment proposals.

Pease International Tradeport

Pease International Tradeport, located 10 minutes to the east of Dover by car, in the City of Portsmouth and Town of Newington, is a regional economic engine for the New Hampshire seacoast area. Pease Air Force Base, the 4,255 acre home of the Strategic Air Command's 509th Bomb Wing closed on March 31, 1991. On June 1, 2000 the Pease Development Authority (PDA) celebrated its 10 year anniversary. Many landmark changes have occurred at the Tradeport since the New Hampshire State Legislature empowered the PDA to develop the former air force base. The United States Department of Defense continually cites Pease as the "model" for successful base closure and reuse. The Pease International Tradeport & Pease International Airport continues to evolve into a world class office, research and development industrial / aviation park.

The Tradeport currently hosts more than 180 operating businesses/tenants with in excess of 3,934,218 square feet of new, or newly renovated space. The development of the Tradeport has created 5,000 jobs, with additional commitments to bring the total to 9,000+ jobs. In addition, development continues with approximately 1,000,000 square feet of new construction in 2002.

Notwithstanding some downsizing of existing tenants, the Pease International Tradeport continues to be an area of intense domestic and international business development and a strong contributor to the regional economy with net job creation of 200 positions in 2002. Its proximity to the high technology corridors of Route 128 and 495 in Massachusetts as well as its airport and location off I-95 draw companies to the Tradeport.

Population Trends

<u>Year</u>	<u>Dover</u>	<u>% Change From Prior Census</u>	<u>New Hampshire</u>	<u>% Change From Prior Census</u>
2000	26,884	7.4 %	1,235,786	11.4 %
1990	25,042	11.9	1,109,117	20.5
1980	22,377	7.3	920,475	25.0
1970	20,850	9.0	737,578	22.0
1960	19,131		606,404	

Source: United States Census Office of State Planning

Population, Income and Wealth Levels

The following table compares 2000 census figures to prior years' averages for Dover, Strafford County, the state of New Hampshire and the United States.

	<u>Dover</u>	<u>Strafford County</u>	<u>New Hampshire</u>	<u>United States</u>
Median Age:				
2000	35.5	34.4	37.1	35.3
1990	31.7	30.6	32.8	32.8
1980	29.4	27.7	30.7	30.0
Median Family Income:				
2000	\$57,050	\$53,075	\$57,575	\$50,046
1990	38,281	38,148	41,628	35,225
1980	18,918	18,899	19,724	19,908
Per Capita Income:				
2000	\$23,459	\$20,479	\$23,844	\$21,587
1990	15,413	13,999	15,959	14,420
1980	6,626	6,309	6,966	7,313

Source: United States Census 1980, 1990 and 2000.

Unemployment Rates

Calendar Year	Dover			New Hampshire		United States	
	Labor Force	Unemployed	Unemployment Rate	Unemployment Rate		Unemployment Rate	
2003	16,310	580	3.4 %	4.3 %		6.5 %	
2002	15,065	582	3.9	4.8		5.7	
2001	15,200	370	2.4	3.5		4.8	
2000	15,280	320	2.1	2.8		4.0	
1999	14,640	300	2.1	2.7		4.2	

Source: N.H. Department of Employment Security.

Significant Employers

Listed in the table below are the largest employers in the City.

Name	Nature of Business	Number of Employees
Liberty Mutual Inc.	Insurance	1,210
Wentworth Douglas Hospital	Hospital	1,200
City of Dover	Municipality	1,127
Heidelberg Harris	Business Machines	370
Fosters Daily Democrat	Newspaper	200
MBNA	Telemarketing	147

Building Permits

The following table sets forth the City's building permits issued during fiscal years 1999 through 2003.

Fiscal Year	Number Issued	Total Value
2003	629	\$ 42,871,745
2002	648	51,254,746
2001	626	49,283,349
2000	625	35,801,208
1999	556	40,877,669

PROPERTY TAXATION

Property Taxes

The principal tax of the City is the tax on real property. There is no limit as to rate or amount. The State of New Hampshire's "assessment year" for taxing purposes runs from April 1 to March 31 of the following year. The City operates on a June 30 fiscal year basis. Property taxes in Dover are collected each year in two installments, on December 1 and June 1. Interest accrues on delinquent taxes at the rate of 12% to the date of payment. On January 1, 1988 the City of Dover opted to abandon the "tax sale" procedure and adopt the optional tax lien process pursuant to RSA 80:58-86 in accordance with RSA 80:87. The City places a lien on the delinquent property prior to September 1 of the following year. From the date of the tax lien, a two year period of redemption is allowed the owner, during which time, payment of taxes, interest and costs will be accepted and the lien released. 18% interest is charged during the two year redemption period. Beyond the two year period of redemption, properties are deeded to the City by the tax collector. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens. The tax collector's deeds are free and clear of all encumbrances. All interest rates are on a per annum basis. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. A tax title acquired by the municipality may be held and disposed of like any held for municipal purposes, except that at time of sale of the property, the municipality retains only that portion of the proceeds to cover taxes, interest and costs and any excess is turned over to superior court for the benefit of the previous owner and any parties with an interest.

Tax Levy Computation

	2000	2001	2002	2003	2004
Appropriations					
City	\$ 15,004,880	\$ 16,532,788	\$ 17,507,234	\$ 18,389,433	\$ 19,759,074
City Debt Service	2,591,556	2,584,967	3,587,234	3,514,034	3,542,179
Total City	17,596,436	19,117,755	21,094,468	21,903,467	23,301,253
School	21,939,513	24,653,632	27,670,695	29,751,613	30,922,459
School Debt Service	887,297	1,941,623	2,148,055	2,178,843	2,316,331
Total School	22,826,810	26,595,255	29,818,750	31,930,456	33,238,790
County	2,824,052	2,855,108	3,666,619	3,695,245	4,639,183
Total	<u>\$ 43,247,298</u>	<u>\$ 48,568,118</u>	<u>\$ 54,579,837</u>	<u>\$ 57,529,168</u>	<u>\$ 61,179,226</u>
Estimated Revenues					
City	\$ 6,057,265	\$ 6,730,748	\$ 7,295,142	\$ 7,237,521	\$ 7,981,281
School	8,573,124	9,296,859	10,952,094	11,731,122	12,100,816
Use of Fund Balance	250,000	1,046,897	1,075,000	250,000	100,000
Total	<u>\$ 14,880,389</u>	<u>\$ 17,074,504</u>	<u>\$ 19,322,236</u>	<u>\$ 19,218,643</u>	<u>\$ 20,182,097</u>
Property Taxes					
City	\$ 11,339,223	\$ 11,390,162	\$ 12,774,378	\$ 14,665,998	\$ 15,270,024
Local School	6,362,128	9,406,838	10,045,896	11,262,544	12,421,536
State School	7,891,558	7,891,558	8,820,760	8,936,790	8,716,438
Total School	14,253,686	17,298,396	18,866,656	20,199,334	21,137,974
County	2,774,000	2,805,056	3,616,567	3,645,193	4,589,131
Total Property Tax	<u>\$ 28,366,909</u>	<u>\$ 31,493,614</u>	<u>\$ 35,257,601</u>	<u>\$ 38,510,525</u>	<u>\$ 40,997,129</u>
Net Assessed Value (000s)	\$ 1,007,022,100	\$ 1,118,843,700	\$ 1,592,668,360	\$ 1,852,323,242	\$ 2,077,988,192
Tax Rate/\$1,000 of AV	\$ 28.56	\$ 28.48	\$ 22.36	\$ 20.86	\$ 19.88
Population - 2000 Census	26,884	26,884	26,884	26,884	27,620
Tax Levy per Capita	\$ 1,055.16	\$ 1,171.46	\$ 1,311.47	\$ 1,432.47	\$ 1,484.33

Tax Collections

Property taxes are due in December and the following June of each fiscal year. The following table presents tax collections for the last five fiscal years:

Fiscal Year	Tax Rate	Property Tax Levy	Collected at Fiscal Year End		Collected at March 31, 2004	
			Amount	Percent	Amount	Percent
2004	\$ 19.88	\$ 41,081,333	NA	NA	\$ 20,938,029 (1)	51.0 %
2003	20.86	38,378,893	\$ 36,736,460	95.7 %	38,091,242	99.3
2002	22.36	35,301,454	33,862,981	95.9	35,185,075	99.7
2001	28.48	31,525,308	30,190,566	95.8	31,523,793	100.0
2000	28.56	28,514,086	27,305,905	95.8	28,513,935	100.0
1999	29.22	28,513,295	27,184,820	95.3	28,513,295	100.0

(1) Second half of levy due June 30, 2004.

Uncollected Taxes as of June 30 Each Fiscal Year

Fiscal Year	Aggregate Incl Tax Liens	Tax Liens
2003	\$ 2,018,145	\$ 375,713
2002	1,833,929	395,456
2001	1,705,142	370,400
2000	1,649,649	441,468
1999	1,858,419	529,944

Principal Taxpayers in Fiscal 2003

Name	Type of Business	Assessed Value	% of Total Assessed Value
Liberty Mutual Insurance Co	Insurance	\$ 24,392,300	1.17 %
Public Service Co of NH	Utility	20,669,900	0.99
The New Meadows Inc	Apartments	11,408,000	0.55
Heidelberg Harris	Manufacturer	10,952,100	0.53
Northern Utilities Inc	Gas Utility	10,057,600	0.48
Holgate Limited Partnership	Comm/Res Rentals	9,881,900	0.48
Dover Mills Partnership	Developer	9,501,700	0.46
NP Dover LLC	Supermarket	8,897,500	0.43
Sawyers Mills Assoc Inc	Apartments	7,645,100	0.37
Langdon Place of Dover	Nursing Homes	7,211,000	0.35
Total Principal Taxpayers		\$ 120,617,100	5.80 %

Property Valuations

The City of Dover has an in-house program to keep assessed values in line with market pricing and has a data collection program to visit all properties over a five year period. The City's assessed value is scheduled for certification by the State Department of Revenue Administration in fiscal year 2005. The following sets forth the trend in the City's valuations:

<u>Fiscal Year</u>	<u>Local Assessed Valuation</u>	<u>Equalized Assessed Valuation</u>	<u>Equalized as a Percent of Assessed Valuation</u>
2004	\$ 2,097,001,592	\$ 2,303,407,162	91.0 %
2003	1,862,594,242	2,033,558,594	91.6
2002	1,602,637,860	1,789,901,391	89.5
2001	1,125,988,700	1,529,921,457	73.6
2000	1,016,384,100	1,336,478,747	76.0

Assessed Value by Classification (1)

<u>Property Type</u>	<u>FY2002</u>		<u>FY2003</u>		<u>FY2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Current Use	\$ 1,161,600	0.1 %	\$ 1,126,236	0.1 %	\$ 1,093,600	0.1 %
Residential	1,142,932,800	71.3	1,342,491,064	72.1	1,557,541,000	74.3
Manufactured Housing	13,292,300	0.8	15,916,170	0.9	21,718,400	1.0
Commercial/Industrial	414,001,060	25.8	471,739,172	25.3	485,398,492	23.1
Utilities	31,250,100	1.9	31,321,600	1.7	31,250,100	1.5
Totals	<u>\$ 1,602,637,860</u>	<u>100.0 %</u>	<u>\$ 1,862,594,242</u>	<u>100.0 %</u>	<u>\$ 2,097,001,592</u>	<u>100.0 %</u>

(1) Value amounts reflect gross assessed value and exclude property tax exemptions for elderly, disabled and blind.

CITY FINANCES

Budgetary Procedure

The City's fiscal year begins on July 1st of each year and ends the following June 30th. The city's budget process commences in the fall of each year with the Capital Improvements Program budget. All capital spending of \$10,000 or more for items with useful lives of 3 years or longer are included in the budget. Based on City Council financing policy, items are identified for bonding, annual operating budget or other type of financing. Items identified for the annual operating budget are included in the next City Manager's recommended annual budget. Departments are responsible for submitting their budget request to the City Manager. After reviews with the departments, the City Manager makes any final adjustments to his recommended budget. The City Manager's recommended annual budget (which includes the School Board request) for the next fiscal year is due to the City Council by April 15th of each year. The City Council may add to or cut from the Manager's recommended budget by majority vote, however, the City Council must pass the budget by June 15th and the budget becomes effective July 1. If the City Council does not adopt the budget by June 15th, the City Manager's recommended budget takes effect July 1. After the original budget is adopted, the City Council may amend the budget by two-thirds vote.

Budget Trends

Function	2004	2003	2002	2001	2000
General Government	\$ 3,424,174	\$ 3,282,833	\$ 3,090,336	\$ 2,801,310	\$ 2,632,814
Public Safety	9,657,356	8,663,673	8,246,581	7,699,725	6,988,787
Public Works	3,904,287	3,758,211	3,665,913	3,550,614	3,242,911
Health & Welfare	676,188	591,545	508,297	478,758	456,252
Culture & Recreation	2,097,069	2,093,171	1,996,107	2,002,381	1,684,116
Debt Service	5,858,510	5,692,877	5,735,289	4,526,590	3,478,853
Education	30,922,459	29,751,613	27,670,695	24,653,632	21,939,513
Intergovernmental	4,639,183	3,695,245	3,666,619	2,855,108	2,824,052
Total General Fund	\$ 61,179,226	\$ 57,529,168	\$ 54,579,837	\$ 48,568,118	\$ 43,247,298
Water Fund	2,542,010	2,323,187	2,290,896	2,142,869	2,043,081
Sewer Fund	3,750,424	3,657,819	3,586,366	3,522,234	3,333,819
Total Utilities	\$ 6,292,434	\$ 5,981,006	\$ 5,877,262	\$ 5,665,103	\$ 5,376,900

Revenues

Property Taxes - The principal revenue source of the City is the tax on real property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds.

State Revenue Sharing - The table below sets for the trend in state revenue sharing receipts by the City.

Fiscal Year	Rooms & Meals	Business Profits Tax	Highway Block Grant	Adequate Education Grant
2004	\$ 823,880	\$ 600,243	\$ 444,300	\$ 5,578,109
2003	782,060	600,243	422,046	6,337,094
2002	700,511	600,243	418,420	6,258,678
2001	504,491	600,243	381,593	4,966,372
2000	391,045	600,243	371,225	4,966,372

Motor Vehicle Permits - The City collects motor vehicle permit fees at the time of annual registration. The amount of the fee is based upon the list price in the year of manufacture according to a statutory formula. Fees have been received as follows:

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Amount</u>
2003	29,990	\$ 3,719,769
2002	29,190	3,529,910
2001	28,536	3,310,458
2000	27,827	3,023,562
1999	26,892	2,756,760

Community Development Block Grant - The following table sets forth the trend in Community Development Block Grant receipts by the City:

<u>Fiscal Year</u>	<u>Amount</u>
2004 (estimate)	\$ 434,000
2003	442,000
2002	450,000
2001	435,000
2000	435,000

Annual Audits

The City's accounts were most recently independently audited for fiscal year ended June 30, 2003 by Melanson Heath & Company; the City's financial statements for fiscal year ended June 30, 2003 are attached hereto as Appendix A.

Financial Statements

Set forth on the following pages are Combined Balance Sheets - All Fund Types and Account Groups for fiscal years ending June 30, 2003, 2002 and 2001 and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, for the fiscal years ended June 30, 1999 through June 30, 2003.

City of Dover, New Hampshire
Combined Balance Sheet - All Fund Types and Account Group
June 30, 2003

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Group	Totals
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Fund Types Trust and Agency	General Long-Term Debt	(Memorandum Only)
ASSETS								
Cash	\$ 6,461,098	\$ 39,644	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ 6,501,342
Investments	16,761,974	2,111,707	-	892,769	-	532,645	-	20,299,095
Taxes receivable	2,010,899	-	-	-	-	-	-	2,010,899
Accounts receivable:								
User charges	-	-	-	-	-	-	-	-
Other	62,708	140,275	-	561,007	103,587	-	-	867,577
Unbilled revenue	-	-	-	996,315	-	-	-	996,315
Notes receivable	-	618,898	-	-	-	-	-	618,898
Due from other governments	443,855	1,088,990	-	7,689,827	-	-	-	9,222,672
Due from other funds	939,808	1,816,888	6,389,776	9,291,437	660,424	583,552	-	19,681,885
Advance to other funds	1,381,880	-	-	-	-	-	-	1,381,880
Inventories	-	40,898	-	232,916	66,489	-	-	340,303
Investment in land	-	-	-	-	-	-	-	-
Other assets	-	-	-	20,744	7,426	-	-	28,170
Property, plant and equipment, net	-	-	-	62,989,657	-	-	89,073,302	152,062,959
Amounts to be provided for retirement of general long-term debt and other liabilities	-	-	-	-	-	-	59,617,691	59,617,691
Total Assets	<u>\$ 28,062,222</u>	<u>\$ 5,857,300</u>	<u>\$ 6,389,776</u>	<u>\$ 82,675,272</u>	<u>\$ 837,926</u>	<u>\$ 1,116,197</u>	<u>\$ 148,690,993</u>	<u>\$ 273,629,686</u>
Liabilities and Fund Equity								-
Liabilities:								-
Accounts payable	\$ 421,704	\$ 167,407	\$ 376,475	\$ 481,046	\$ 22,243	\$ 573,755	\$ -	\$ 2,042,630
Accrued liabilities	1,859,542	22,056	598	378,162	416,117	-	-	2,676,475
Deferred revenue	900,462	637,120	-	-	-	-	-	1,537,582
Due to other funds	18,738,878	943,007	-	-	-	-	-	19,681,885
Advance from other funds	-	-	-	1,381,880	-	-	-	1,381,880
Retainage payable	-	-	105,512	173,290	-	-	-	278,802
Other liabilities	3,789	-	-	122,972	-	-	-	126,761
General obligation bonds payable	-	-	-	25,076,059	-	-	-	25,076,059
Liability for hazardous waste-site cleanup	-	-	-	-	-	-	-	-
Total Liabilities	<u>\$ 21,924,375</u>	<u>\$ 1,769,590</u>	<u>\$ 482,585</u>	<u>\$ 27,613,409</u>	<u>\$ 438,360</u>	<u>\$ 573,755</u>	<u>\$ -</u>	<u>\$ 52,802,074</u>
Fund Equity:								
Invested in Capital Assets	-	-	-	-	-	-	89,073,302	89,073,302
Invested in Capital Assets-net of debt	-	-	-	\$ 50,262,498	-	-	-	50,262,498
Reserved For:	-	-	-	-	\$ -	-	-	-
Endowment	-	-	-	-	-	542,442	-	542,442
Reserved for Encumbrances	\$ 790,753	\$ 394,500	\$ 1,825,214	-	-	-	-	3,010,467
Advances	1,381,880	-	-	-	-	-	-	1,381,880
Inventory	-	23,424	-	-	-	\$ -	-	23,424
Debt	170,000	-	-	-	-	-	-	170,000
Capital Outlay	85,693	-	4,081,977	908,920	-	-	-	5,076,590
Unreserved	3,709,521	3,669,786	-	3,890,445	399,566	-	-	11,669,318
Total Fund Equity	<u>6,137,847</u>	<u>4,087,710</u>	<u>5,907,191</u>	<u>55,061,863</u>	<u>399,566</u>	<u>542,442</u>	<u>89,073,302</u>	<u>161,209,921</u>
Total Liabilities and Fund Equity	<u>\$ 28,062,222</u>	<u>\$ 5,857,300</u>	<u>\$ 6,389,776</u>	<u>\$ 82,675,272</u>	<u>\$ 837,926</u>	<u>\$ 1,116,197</u>	<u>\$ 89,073,302</u>	<u>\$ 214,011,995</u>

City of Dover, New Hampshire
Combined Balance Sheet - All Fund Types and Account Group
June 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Group	Totals
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Fund Types Trust and Agency	General Long-Term Debt	(Memorandum Only)
ASSETS								
Cash	\$ 5,321,211	\$ -	\$ -	\$ 600	\$ -	\$ 41,721	\$ -	\$ 5,363,532
Investments	12,152,698	-	-	-	-	3,530,915	-	15,683,613
Taxes receivable	1,795,409	-	-	-	-	-	-	1,795,409
Accounts receivable:								
User charges	-	-	-	725,414	94,091	-	-	819,505
Other	30,930	100,956	31,000	-	-	215,200	-	378,086
Unbilled revenue	-	-	-	168,142	-	-	-	168,142
Notes receivable	-	642,127	-	-	-	-	-	642,127
Due from other governments	301,128	843,941	-	8,543,819	-	-	-	9,688,888
Due from other funds	1,338,960	1,540,930	3,941,832	6,779,277	721,461	792,306	-	15,114,766
Advance to other funds	944,236	-	-	-	-	-	-	944,236
Inventories	-	32,969	-	206,246	56,495	-	-	295,710
Investment in land	-	-	-	1,043,641	-	-	-	1,043,641
Other assets	20,566	-	-	-	11,404	-	-	31,970
Property, plant and equipment, net	-	-	-	51,566,654	-	-	-	51,566,654
Amounts to be provided for retirement of general long-term debt and other liabilities	-	-	-	-	-	-	54,340,356	54,340,356
Total Assets	<u>\$ 21,905,138</u>	<u>\$ 3,160,923</u>	<u>\$ 3,972,832</u>	<u>\$ 69,033,793</u>	<u>\$ 883,451</u>	<u>\$ 4,580,142</u>	<u>\$ 54,340,356</u>	<u>\$ 157,876,635</u>
Liabilities and Fund Equity								-
Liabilities:								-
Accounts payable	\$ 495,925	\$ 23,719	\$ 120,306	\$ 165,121	\$ 45,587	\$ 407,979	\$ -	\$ 1,258,637
Accrued liabilities	1,427,031	61,347	-	533,609	521,850	7,368	2,708,764	5,259,969
Deferred revenue	861,261	660,349	-	120	-	-	-	1,521,730
Due to other funds	13,403,906	855,245	483,715	371,900	-	-	-	15,114,766
Advance from other funds	-	-	-	944,236	-	-	-	944,236
Retainage payable	-	-	113,006	69,069	-	-	-	182,075
Other liabilities	12,532	-	898	-	-	-	-	13,430
General obligation bonds payable	-	-	-	22,226,798	-	-	40,615,579	62,842,377
Liability for hazardous waste-site cleanup	-	-	-	-	-	-	11,016,013	11,016,013
Total Liabilities	<u>\$ 16,200,655</u>	<u>\$ 1,600,660</u>	<u>\$ 717,925</u>	<u>\$ 24,310,853</u>	<u>\$ 567,437</u>	<u>\$ 415,347</u>	<u>\$ 54,340,356</u>	<u>\$ 98,153,233</u>
Fund Equity:								
Contributed capital	-	-	-	\$ 28,402,122	-	-	-	28,402,122
Retained earnings:								-
Unreserved	-	-	-	16,320,818	\$ 316,014	-	-	16,636,832
Fund balances:								
Reserved for Encumbrances	\$ 703,744	\$ 193,662	\$ 3,867,715	-	-	-	-	4,765,121
Advances	944,236	-	-	-	-	-	-	944,236
Other Purposes	191,250	28,938	-	-	-	\$ 1,642,919	-	1,863,107
Expenditures	259,577	-	-	-	-	-	-	259,577
Unreserved	3,605,676	1,337,663	(612,808)	-	-	2,521,876	-	6,852,407
Total Fund Equity	<u>5,704,483</u>	<u>1,560,263</u>	<u>3,254,907</u>	<u>16,320,818</u>	<u>316,014</u>	<u>4,164,795</u>	<u>-</u>	<u>31,321,280</u>
Total Liabilities and Fund Equity	<u>\$ 21,905,138</u>	<u>\$ 3,160,923</u>	<u>\$ 3,972,832</u>	<u>\$ 69,033,793</u>	<u>\$ 883,451</u>	<u>\$ 4,580,142</u>	<u>\$ 54,340,356</u>	<u>\$ 157,876,635</u>

City of Dover, New Hampshire
Combined Balance Sheet
All Fund Types and Account Group
June 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Group	Totals
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Fund Types Trust and Agency	General Long-Term Debt	(Memorandum Only)
ASSETS								
Cash	\$ 4,539,202	\$ -	\$ -	\$ 884	\$ -	\$ 71,040		\$ 4,611,126
Investments	20,739,575					3,450,660		24,190,235
Taxes receivable	1,652,495							1,652,495
Accounts receivable:								-
User charges				1,458,448	95,639			1,554,087
Other		135,310	21,843			1,167		158,320
Unbilled revenue				136,703				136,703
Notes receivable		747,156						747,156
Due from other governments	397,181	728,640		9,397,734				10,523,555
Due from other funds	1,054,154	1,106,080	10,086,434	7,964,654	632,332	287,097		21,130,751
Advance to other funds	309,500							309,500
Inventories		37,162		144,746	49,689			231,597
Investment in land				1,112,815				1,112,815
Other assets	11,334							11,334
Property, plant and equipment, net				51,802,098				51,802,098
Amounts to be provided for retirement of general long-term debt and other liabilities							57,060,679	-
Total Assets	<u>\$ 28,703,441</u>	<u>\$ 2,754,348</u>	<u>\$ 10,108,277</u>	<u>\$ 72,018,082</u>	<u>\$ 777,660</u>	<u>\$ 3,809,964</u>	<u>\$ 57,060,679</u>	<u>\$ 175,232,451</u>
Liabilities and Fund Equity								-
Liabilities:								-
Accounts payable	\$ 368,056	\$ 63,444	\$ 692,488	\$ 556,627	\$ 28,828	\$ 287,097		\$ 1,996,540
Accrued liabilities	1,779,750	38,261	298,906	547,988	743,635		2,651,129	6,059,669
Deferred revenue	832,137	747,157		18,364				1,597,658
Due to other funds	20,028,449	700,442	5,221	315,776		80,863		21,130,751
Advance from other funds				309,500				309,500
Retainage payable				197,894				197,894
Other liabilities	8,225		317					8,542
General obligation bonds payable				24,340,481			43,393,537	67,734,018
Liability for hazardous waste-site cleanup							11,016,013	11,016,013
Total Liabilities	<u>\$ 23,016,617</u>	<u>\$ 1,549,304</u>	<u>\$ 996,932</u>	<u>\$ 26,286,630</u>	<u>\$ 772,463</u>	<u>\$ 367,960</u>	<u>\$ 57,060,679</u>	<u>\$ 110,050,585</u>
Fund Equity:								-
Contributed capital retained earnings:				\$ 29,932,853				29,932,853
Unreserved				15,798,599	\$ 5,197			15,803,796
Fund balances:								-
Reserved for Encumbrances	\$ 469,814	\$ 120,768	\$ 3,374,696					3,965,278
Advances	309,500							309,500
Other Purposes	212,500	27,682				\$ 1,716,748		1,956,930
Expenditures	286,559							286,559
Unreserved	4,408,451	1,056,594	5,736,649			1,725,256		12,926,950
Total Fund Equity	<u>5,686,824</u>	<u>1,205,044</u>	<u>9,111,345</u>	<u>45,731,452</u>	<u>5,197</u>	<u>3,442,004</u>	<u>-</u>	<u>65,181,866</u>
Total Liabilities and Fund Equity	<u>\$ 28,703,441</u>	<u>\$ 2,754,348</u>	<u>\$ 10,108,277</u>	<u>\$ 72,018,082</u>	<u>\$ 777,660</u>	<u>\$ 3,809,964</u>	<u>\$ 57,060,679</u>	<u>\$ 175,232,451</u>

CITY OF DOVER, NEW HAMPSHIRE
GENERAL FUND REVENUES & EXPENDITURES

	Year Ending June 30,				
	2003	2002	2001	2000	1999
REVENUES:					
Taxes	\$ 38,649,599	\$ 35,585,882	\$ 31,853,179	\$ 29,141,018	\$ 29,211,331
Licenses and Permits	4,096,208	3,944,619	3,686,246	3,344,023	3,005,048
Fines, forfeits and penalties		-	-	-	-
Use of money and property		-	-	-	-
Intergovernmental	1,914,757	1,766,065	1,675,881	1,610,534	1,546,811
Current Services	1,124,299	1,030,036	1,054,940	954,790	1,000,878
Education (inc.state aid)	11,740,906	10,758,527	9,333,811	8,823,894	4,446,561
Miscellaneous	478,202	680,805	1,093,938	963,059	620,461
Total Revenues	<u>\$ 58,003,971</u>	<u>\$53,765,934</u>	<u>\$48,697,995</u>	<u>\$44,837,318</u>	<u>\$39,831,090</u>
EXPENDITURES:					
General Government	2,946,305	3,007,590	2,942,239	2,752,678	2,220,952
Public Safety	8,500,956	7,762,936	7,364,837	6,917,061	6,387,607
Public Works	4,451,367	3,538,122	3,572,785	3,169,586	3,156,441
Culture and recreation	1,973,218	1,926,516	1,863,347	1,682,017	1,498,600
Education	29,199,879	27,208,695	24,203,905	21,760,597	19,729,818
Human Services	653,336	550,038	446,689	414,116	425,516
Intergovernmental	3,695,246	3,666,619	2,855,108	2,824,052	2,729,400
Abatements		-	-	-	-
Other		-	-	-	-
Debt Service - Principal	5,522,705	4,006,958	3,291,991	2,000,038	1,802,942
Debt Service - Interest		1,700,213	1,159,145	1,394,983	1,051,474
Total Expenditures	<u>56,943,012</u>	<u>\$53,367,687</u>	<u>\$47,700,046</u>	<u>\$42,915,128</u>	<u>\$39,002,750</u>
Excess (Deficiency) of Revenues over Expenditures	1,060,959	398,247	997,949	1,922,190	828,340
Other Financing Sources (Uses)					
Operating Transfers In	49,595	32,000	32,000	36,000	261,000
Operating Transfers Out	<u>(677,190)</u>	<u>(412,588)</u>	<u>(439,751)</u>	<u>(321,193)</u>	<u>(240,571)</u>
Total Other Financing Sources (uses) Net	(627,595)	17,659	(407,751)	(285,193)	20,429
Excess of Revenues and Other Sources Over Expenditures and Other Uses (2001 Deficiency reflects amount voted to reduce property taxes)	433,364	17,659	590,198	1,636,997	848,769
Fund Equity, July 1st	<u>\$ 5,704,483</u>	<u>\$ 5,686,824</u>	<u>\$ 5,096,626</u>	<u>\$ 3,459,629</u>	<u>\$ 2,610,860</u>
Fund Equity, June 30th	<u>\$ 6,137,847</u>	<u>\$ 5,704,483</u>	<u>\$ 5,686,824</u>	<u>\$ 5,096,626</u>	<u>\$ 3,459,629</u>

Note: In 1996, the City Council adopted a policy of maintaining a General Fund Unreserved Fund Balance of at least 6% of the adopted budget.

Enterprise Operations (1)

Description	Fiscal Year				
	2000	2001	2002	2003	2004
APPROPRIATIONS:					
Water - Oper & Maint	\$ 1,539,098	\$ 1,548,765	\$ 1,637,675	\$ 1,604,494	\$ 1,678,013
Water - Depreciation	320,000	360,000	360,000	360,000	414,000
Water - Debt Interest	143,983	194,104	253,221	258,693	299,997
Water - Capital Reserve	40,000	40,000	40,000	100,000	150,000
Total Water	\$ 2,043,081	\$ 2,142,869	\$ 2,290,896	\$ 2,323,187	\$ 2,542,010
Sewer - Oper & Maint	1,837,759	1,972,728	2,033,221	2,106,855	2,227,366
Sewer - Depreciation	350,000	360,000	360,000	360,000	415,000
Sewer - Debt Interest	871,060	889,506	893,145	890,964	758,058
Sewer - Capital Reserve	275,000	300,000	300,000	300,000	350,000
Total Sewer	\$ 3,333,819	\$ 3,522,234	\$ 3,586,366	\$ 3,657,819	\$ 3,750,424
REVENUE:					
Water					
Charges for Services	2,032,056	2,131,869	2,279,896	2,302,187	2,516,010
Other Financing Sources	11,025	11,000	11,000	21,000	26,000
Total Water	\$ 2,043,081	\$ 2,142,869	\$ 2,290,896	\$ 2,323,187	\$ 2,542,010
Sewer					
Licenses & Permits	21,000	48,000	48,000		
Intergovernmental	675,332	617,857	565,335	512,554	459,062
Charges for Services	2,601,987	2,841,377	2,958,031	3,114,265	3,260,362
Misc Revenue	35,500	15,000	15,000	31,000	31,000
Total Sewer	\$ 3,333,819	\$ 3,522,234	\$ 3,586,366	\$ 3,657,819	\$ 3,750,424
UTILITY RATES PER HCF: (2)					
Water	2.08	2.04	2.31	2.17	2.38
Sewer	3.20	3.44	3.59	3.73	3.98
Total Utility Funds	\$ 5.28	\$ 5.48	\$ 5.90	\$ 5.90	\$ 6.36

(1) Budgetary.

(2) HCF = One Hundred Cubic Feet (748 Gallons)

Undesignated General Fund Balances

The following table sets forth the City's undesignated general fund balances for fiscal years 1999 through 2003.

<u>As of June 30</u>	<u>Undesignated General Fund Balance</u>
2003	\$ 3,709,521
2002	3,605,676
2001	4,408,450
2000	3,949,957
1999	2,149,416

SOURCE: Audited Financial Statements

New Hampshire School Finance

On December 17, 1997, the New Hampshire Supreme Court ruled that the State of New Hampshire's system of financing elementary and secondary public education primarily through local property taxes was unconstitutional. Since that decision, the state legislature has taken a number of actions to address the issues raised by the Court and to meet its constitutional obligation with respect to school funding. Many of such actions have been subject to subsequent review and decisions by the Court. For a detailed description of the history and status of the school funding litigation and the resulting legislation affecting the extent and manner in which the state participates in the financing of public education, see the State's most recent Information Statement dated December 9, 2003 as supplemented by its Information Statement Supplements dated February 10, 2004, each of which has been filed with each of the nationally recognized municipal securities information repositories. Neither the school funding litigation nor the resulting court decisions and legislation affects the City's legal obligation and authority to levy property taxes in an amount sufficient to pay the principal of and interest on the Notes.

INDEBTEDNESS

Authorization Procedure and Limitations

The general debt limit of the municipality is 3 percent of "base valuation" (see below), except for school purposes. The debt limit for school purposes is 7 percent of said base valuation and school debt is not counted toward the 3 percent limitation. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission are excluded from the measure of indebtedness. Other water projects are subject to a separate special debt limit of 10 percent of base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are sometimes excluded from a city's or town's debt limit.

The "base valuation" for computing debt limit is determined by adding the amount of taxable property lost to cities and towns as a result of the enactment of the State Business Profits Tax Law to the "equalized assessed valuation" (full value of taxable property) as determined by the State Department of Revenue Administration.

Debt Limits projected at June 30, 2004

Description	Debt Subject to Debt Limits				Exempt From Limits	Total Debt
	Municipal	Schools	Water	DIDA		
Debt Limit % of Debt Value (1)	3%	7%	10%			
Debt Limits	\$ 70,100,891	\$ 163,568,746	\$ 233,669,637	\$ 5,000,000		
Debt Subject to Limitations						
Existing Debt	\$ 23,462,920	\$ 18,318,700	\$ 5,340,000	\$ 1,285,000	\$ 15,683,571	\$ 64,090,191
New Issue	3,606,000	1,975,000	2,325,000	-	1,926,000	9,832,000 (2)
Authorized - Unissued	3,699,000	-	1,700,000	400,000	278,000	6,077,000
Total Debt Against Limit	\$ 30,767,920	\$ 20,293,700	\$ 9,365,000	\$ 1,685,000	\$ 17,887,571	\$ 79,999,191
Unutilized Debt Capacity	\$ 39,332,971	\$ 143,275,046	\$ 224,304,637	\$ 3,315,000		
Percent of Capacity Used	43.9%	12.4%	4.0%	33.7%		

(1) Equalized Value for Debt Limits - \$2,336,696,368.

(2) Subject, to change.

Temporary Financing

Temporary loans in anticipation of bonds or serial notes, federal and state aid, and taxes are not included in the usual measure of indebtedness.

Bond Anticipation Notes - When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than five years from their original issue date, provided that any such notes is sued for more than three years from their dates are subject to certain required annual principal payments.

Federal and State Grant Anticipation Notes - Upon a two-thirds vote of the City Council authorizing federal or state grant agreements, temporary loans in anticipation of federal or state aid may be incurred.

Tax Anticipation Notes - Section 33:7 of the New Hampshire Municipal Finance Act states, in part, that:

Cities and towns may incur debt in anticipation of the taxes of the financial year in which the debt is incurred, in order to pay current maintenance and operation expenses, and may issue notes therefor to an aggregate principal amount not exceeding the total tax levy during the preceding financial year, provided that after the tax levy of the current year has been determined any city or town may borrow an amount not exceeding in the aggregate the total tax levy of the city or town for the current financial year.

All notes issued under the authority of this section shall be general obligations. They may be sold at discount and shall be payable not later than one year from their date. Notes issued for a shorter period than one year may be refunded or renewed, pursuant to a vote or resolution of the governing board, or the city councils in the case of cities, by the issue of other notes maturing within the required period, provided, however, that the period from the date of issue of the original loan to the date of maturity of the refunding or renewal loan shall not be more than one year.

Direct Debt Summary
Projected as of June 30, 2004

Long Term Debt:

Capital Appreciation Bonds (School)	\$ 11,056,700	
State Revolving Loan	847,571	
Sewer	13,403,000	
Arena	3,785,920	
School	7,262,000	
Water	5,340,000	
City	<u>22,395,000</u>	
 Total Long Term Debt		 \$ 64,090,191
 Bond Anticipation Notes (due June 15, 2005)	 \$ 1,470,000	
The Bonds	\$ 9,816,000	
Total Long and Short-Term Debt		<u>\$ 75,376,191</u>

Authorized Unissued Debt and Prospective Borrowing

The City will have \$6,609,000 authorized unissued debt for the following projects as of June 30, 2004:

DIDA Road Project	\$400,000
Public Improvement FY 03	579,000
Public Improvement FY 04	3,810,000
City Hall Heating System	350,000
Dredge Disposal Facility (1)	<u>1,470,000</u>
Totals	\$6,609,000

- (1) Bond anticipation notes for the Dredge Disposal Facility are expected to be retired with proceeds from the placement of material in the cell.

The City expects to permanently finance the balance of these projects within the next two years.

Debt Outstanding By Fiscal Year End and Selected Debt Ratios

Description	June 30,				
	2004 (1)	2003	2002	2001	2000
City	\$ 27,348,571	\$ 25,708,328	\$ 22,628,086	\$ 23,673,243	\$ 13,916,837
School	20,293,700	20,067,764	17,987,493	19,720,294	19,182,291
Total General Fund	\$ 47,642,271	\$ 45,776,092	\$ 40,615,579	\$ 43,393,537	\$ 33,099,128
Water	7,665,000	5,985,649	4,307,298	4,858,947	2,337,196
Sewer	14,829,000	15,056,000	13,640,000	14,650,000	13,004,800
Arena	3,785,920	4,034,410	4,279,500	3,930,390	366,880
DIDA	-	-	-	901,144	923,842
Total Debt at June 30	\$ 73,922,191	\$ 70,852,151	\$ 62,842,377	\$ 67,734,018	\$ 49,731,846
State Aid to Debt					
School Building Aid	\$ 5,124,729	\$ 5,120,525	\$ 4,027,482	\$ 4,401,080	\$ 4,793,257
Sewer Aid	6,629,879	7,459,482	8,289,085	9,118,688	9,948,296
Total State Aid to Debt	\$ 11,754,608	\$ 12,580,007	\$ 12,316,567	\$ 13,519,768	\$ 14,741,553
Net Debt at June 30	\$ 62,167,583	\$ 58,272,144	\$ 50,525,810	\$ 54,214,250	\$ 34,990,293
Population (2)	27,620	27,436	27,252	27,068	26,884
Total Debt Per Capita	\$ 2,676.40	\$ 2,582.45	\$ 2,305.97	\$ 2,502.37	\$ 1,849.87
Net Debt Per Capita	\$ 2,250.82	\$ 2,123.93	\$ 1,854.02	\$ 2,002.89	\$ 1,301.53
Equalized Assessed Valuation	\$ 2,303,407,162	\$ 2,033,558,594	1,789,901,391	1,529,921,457	1,324,236,772
Total Debt % of Equalized Valuat	3.21 %	3.48 %	3.51 %	4.43 %	3.76
Net Debt % of Equalized Valuation	2.70	2.87	2.82	3.54	2.64

(1) Includes this issue, which is subject to change.

(2) Population trended based on 1990 and 2000 Census

Financial Summary (Pro-Forma projected as of 6/30/04)

The following tables set forth the general obligation debt of the City of Dover incurred for capital purposes and outstanding projected as of June 30, 2004 (including this issue, which is subject to change):

Long Term Debt:	Notes:	<u>Existing</u>	<u>New Issue</u>	<u>Total</u>
Inside Debt Limit				
Municipal		\$23,462,920	\$3,606,000	\$27,068,920
School	1	18,318,700	1,975,000	20,293,700
Water		5,340,000	2,325,000	7,665,000
Total Inside Debt Limit		\$47,121,620	\$7,906,000	\$55,027,620
Outside Debt Limit				
Tolend Road Landfill Mitigation		\$2,280,571	\$500,000	\$2,780,571
Sewer	2	13,403,000	1,426,000	14,829,000
DIDA	3	1,285,000	0	1,285,000
Total Outside Debt Limit		\$16,968,571	\$1,926,000	\$18,894,571
Gross Long Term Debt		\$64,090,191	\$9,832,000	\$73,922,191
Less Aid & Non-Tax Supported Debt				
Retired by User Fees		\$15,899,041	\$3,751,000	\$19,650,041
School Building Aid		4,682,229	442,500	5,124,729
State Sewer Grants		6,629,879	0	6,629,879
Other Aid		0	0	0
Total Aid & Non-Tax Supported Debt		\$27,211,149	\$4,193,500	\$31,404,649
Net Long Term Debt		\$36,879,042	\$5,638,500	\$42,517,542

- Note: 1. \$3,859,759 of this is State Guaranteed
2. \$7,295,000 of this is State Guaranteed
3. DIDA Debt retired by General Fund

Annual Debt Service Requirements projected as of June 30, 2004

Fisacal Year	Existing Debt		This Issue		School Aid	Sewer Aid	Total Debt Service	Cumulative
	Principal	Interest	Principal	Interest				
2005	\$ 6,617,825	\$ 2,638,293	\$ 71,000	\$ 389,468	\$ 441,590	\$ 1,259,495	\$ 8,015,501	9.1%
2006	6,333,097	2,437,037	635,000	386,983	425,172	1,204,813	8,162,132	18.5%
2007	5,803,577	2,243,031	635,000	364,758	407,256	1,149,672	7,489,438	27.2%
2008	5,523,328	2,076,600	635,000	342,533	391,281	1,093,954	7,092,225	35.5%
2009	5,393,444	1,913,283	635,000	320,308	377,216	1,037,942	6,846,877	43.7%
2010	5,210,849	1,749,782	635,000	298,083	361,437	981,742	6,550,534	51.6%
2011	4,984,246	1,590,436	575,000	275,858	348,956	925,355	6,151,227	59.1%
2012	4,657,192	1,441,791	575,000	254,295	334,840	862,026	5,731,412	66.2%
2013	3,495,002	1,318,238	575,000	231,295	321,730	-	5,297,805	71.7%
2014	3,405,998	1,239,100	575,000	208,295	250,479	-	5,177,914	77.1%
2015	3,052,800	1,160,196	575,000	185,295	213,250	-	4,760,041	82.0%
2016	2,869,632	1,086,964	555,000	162,295	203,300	-	4,470,590	86.6%
2017	1,923,318	1,028,482	550,000	139,540	192,406	-	3,448,934	90.0%
2018	1,779,851	1,005,739	550,000	116,440	150,806	-	3,301,225	93.1%
2019	1,086,893	978,072	550,000	92,790	135,568	-	2,572,187	95.3%
2020	988,139	979,248	515,000	68,590	126,942	-	2,424,036	97.4%
2021	565,000	43,250	205,000	45,415	-	-	858,665	98.4%
2022	150,000	16,313	205,000	35,985	-	-	407,298	98.9%
2023	125,000	10,125	205,000	26,555	-	-	366,680	99.3%
2024	125,000	5,125	205,000	16,920	-	-	352,045	99.8%
2025	-	-	155,000	7,285	-	-	162,285	100.0%
Totals	<u>\$ 64,090,191</u>	<u>\$ 24,961,104</u>	<u>\$ 9,816,000</u>	<u>\$ 3,968,983</u>	<u>\$ 4,682,229</u>	<u>\$ 8,514,999</u>	<u>\$ 89,639,050</u>	

Principal Payment by Purpose projected as of June 30, 2004 (excludes this issue)

Fiscal Year	City Depts	School	Total General Fund	Water	Sewer	Arena	Total GO Debt
2005	\$ 2,444,757	\$ 1,775,578	4,220,335	\$ 577,000	\$ 1,577,000	\$ 243,490	\$ 6,617,825
2006	2,346,757	1,678,850	4,025,607	542,000	1,522,000	243,490	6,333,097
2007	2,216,757	1,524,330	3,741,087	432,000	1,387,000	243,490	5,803,577
2008	2,051,757	1,441,081	3,492,838	422,000	1,367,000	241,490	5,523,328
2009	2,018,757	1,369,197	3,387,954	402,000	1,365,000	238,490	5,393,444
2010	1,904,757	1,305,602	3,210,359	402,000	1,365,000	233,490	5,210,849
2011	1,779,757	1,237,998	3,017,756	373,000	1,365,000	228,490	4,984,246
2012	1,619,757	1,170,945	2,790,702	343,000	1,295,000	228,490	4,657,192
2013	1,454,757	1,122,245	2,577,002	323,000	385,000	210,000	3,495,002
2014	1,406,757	1,088,241	2,494,998	321,000	380,000	210,000	3,405,998
2015	1,137,000	1,046,800	2,183,800	305,000	354,000	210,000	3,052,800
2016	1,087,000	923,632	2,010,632	302,000	352,000	205,000	2,869,632
2017	522,000	731,318	1,253,318	193,000	272,000	205,000	1,923,318
2018	442,000	697,851	1,139,851	193,000	242,000	205,000	1,779,851
2019	195,000	531,893	726,893	90,000	65,000	205,000	1,086,893
2020	195,000	473,139	668,139	60,000	55,000	205,000	988,139
2021	195,000	50,000	245,000	60,000	55,000	205,000	565,000
2022	75,000	50,000	125,000	-	-	25,000	150,000
2023	75,000	50,000	125,000	-	-	-	125,000
2024	75,000	50,000	125,000	-	-	-	125,000
Totals	<u>\$23,242,571</u>	<u>\$18,318,700</u>	<u>\$41,561,271</u>	<u>\$5,340,000</u>	<u>\$13,403,000</u>	<u>\$3,785,920</u>	<u>\$64,090,191</u>

Overlapping Debt

Jurisdiction	Net General Obligation Debt(1)	Percent to Dover (2)	Amount Applicable to Dover
Strafford County	\$ 23,565,225	27.28%	\$ 6,429,048

(1) Strafford County Audited Financial Statements, December 31, 2003

(2) NH Department of Revenue Administration for Fiscal Year 2004

Insurance

The City of Dover participates in the insurance pool of the New Hampshire Municipal Association's Property Liability Trust. The liability coverage has a \$2 million maximum per occurrence with no maximum aggregate. The property coverage has a \$1,000 deductible. Fire trucks are covered with replacement cost amendment. The NHMA-PLT also covers the Public Officials Schedule Bond.

The City of Dover is self-insured for workers compensation. The City retains a third party administrator to process claims and run prevention programs. The City also retains reinsurance for individual claims in excess of \$400,000. No aggregate insurance is carried. City Council policy is to realize and fund the accrued liability at 65% of the projected ultimate limited loss.

The School Department participates in the insurance pool of the New Hampshire School Boards Insurance Trust, Inc. The liability coverage is \$1,000,000 per occurrence, \$2,000,000 aggregate. The property coverage has a \$1,000 deductible.

RETIREMENT SYSTEM

Pension Plans

The City participates in the New Hampshire Retirement System, which is a multi-employer defined benefit pension plan. The system covers substantially all full-time permanent employees. The plan, which is cost sharing, requires that both the City and employees contribute to the plan which provides retirement, disability and death benefits.

Fiscal Year	City Contributions	Employee Contributions	Total Contributions
2003	\$ 1,133,880	\$ 1,786,910	\$ 2,920,790
2002	1,020,217	1,609,822	2,630,039
2001	972,117	1,502,795	2,474,912
2000	865,028	1,335,818	2,200,846

EMPLOYEE RELATIONS

Pursuant to the New Hampshire R.S.A. 273-A, all public employees in the State of New Hampshire have the right to organize and to bargain collectively with their public employers on matters of wages, hours, and other conditions of employment other than managerial policy. The following identifies Dover's municipal and school labor organizations, their affiliations, and the expiration date of their current contract. New Hampshire law provides for no third-party determination of wages and conditions of employment, so that the local appropriating or legislative body has final authority over these items.

Employees	Organization	Number of Employees	Expiration Date
(City Units)			
Police Officers	Dover Police Association	57	6/30/2005
Police Admin.	Dover Police Administrators Assoc	21	6/30/2005
Fire Admin.	Dover Fire Fighters Officers Assoc.	10	6/30/2005
Fire Fighters, Rescue	Dover Fire Fighters Officers Assoc.	34	6/30/2005
Admin Staff, Clerical	Dover Municipal Employee Assoc.	82	6/30/2005
PW Supervisors	Dover Municipal Supervisory Employee Assoc.	27	6/30/2005
Laborers, Truck Drivers	American Federation of State, County, and Municipal Employees	43	6/30/2005
Dept. Heads, Election, Seasonal	Non-Union	287	N/A
	Totals:	561	
(School Units)			
Custodial, Maint.	AFSCME	34	6/30/2004
Office Admin. Staff	Dover Educational Office Personal	35	6/30/2005
Aids, Tutors, SP Instr.	Dover Paraprofessional Assoc.	161	8/31/2005
Teachers	Dovers Teachers Union	311	8/31/2006
Café, Coaches Administrators	Non-Union	132	NA
	Totals:	673	

LITIGATION

Secondary Treatment Facility

The City of Dover constructed and operates a Wastewater Treatment Plant in accordance with an EPA consent decree dated September 25, 1987. The decree remains in effect until the City achieves twelve consecutive months of compliance with its discharge permit. The twelve months of compliance were met in November 1994 and the City is waiting for the release of the decree from the EPA. All long term debt has been issued for this project.

Tolend Road Landfill Hazardous Waste Site

The City owned and operated a 55 acre landfill site on Tolend Road from 1960 to 1979. On September 10, 1991 the Environmental Protection Agency issued a Record of Decision on the closure of the site, including the City as a Potentially Responsible Party (PRP). The current estimated cost of the closure is \$21.8 million. The City has negotiated its preliminary share at \$8,166,666 of the first \$20 million. This amount includes the Town of Madbury. The City appropriated \$2.0 million within the General Fund in FY93 through FY97 toward the eventual closure costs. \$260,000 was received from insurance companies through litigation. \$300,000 was received from the Town of Madbury for its full share. An additional \$317,000 was received from the State of New Hampshire for a 20% match toward costs to date. The final allocation of the additional costs will be determined by further negotiations with the remaining seven PRPs or by court judgment. Thirty-one other PRPs have made final settlement on all costs related to the closure with EPA. The City closed on a loan through the New Hampshire State Revolving Loan program for \$1,271,357 in FY99. This covered the preliminary costs and capping design.

The City has been in negotiations with the EPA and the State of New Hampshire Department of Environmental Services to implement an alternative to the closure capping. The new technique involves bio-remediation and carries significant savings versus conventional capping. The city received approval for and is in the process of a pilot program to determine the effectiveness of this method. As a result, the City has received a four-year deferral of the capping requirement from EPA. A final decision from EPA is expected in the next several months. On June 15, 2003 the City issued Bonds that consisted of \$1,500,000 that related to continued expenses of the pilot program and legal costs.

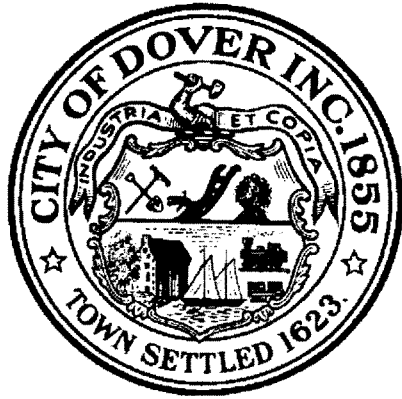
LEGAL MATTERS

There is no litigation pending, or to the knowledge of the City's attorney, threatened, which would affect the validity of the Bonds, or the City's ability to levy and collect taxes to pay them, or which would have a materially adverse effect on the City's financial position. See "Litigation" above.

CITY OF DOVER
/s/Jeffrey Harrington, Treasurer

May 18, 2004

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City of Dover

New Hampshire

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2003

CITY OF DOVER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2003

Prepared by:
The Finance Department

Jeffrey H. Harrington
Finance Director

**City of Dover, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003**

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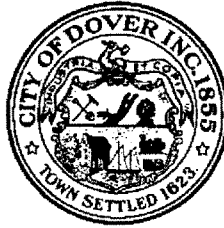
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PAUL G. BEECHER
City Manager

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Dover, New Hampshire 03820-4169

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www.ci.dover.nh.us

City of Dover, New Hampshire
OFFICE OF THE CITY MANAGER

November 30, 2003

To the Honorable Mayor and members of the City Council:

This report consists of the management's representations concerning the finances of the City of Dover. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making the representations, management has established comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Melanson Heath & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ending June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was reasonable basis for rendering an unqualified opinion that the financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial state-

ments, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of Government

Dover, New Hampshire is located ten miles from the Atlantic Ocean in southern New Hampshire and is 48 miles south of Portland, Maine and 68 miles north of Boston, Massachusetts. Situated at the confluence of the Cochecho, Salmon Falls and Bellamy Rivers, Dover is a major New Hampshire industrial, employment, and distribution center for the seacoast. Dover provides a gateway to both the Maine coast and the White Mountains of New Hampshire.

The City of Dover occupies an area of 29 square miles and serves a population of 26,884, based on the 2000 Census. The City of Dover, settled in 1623, is the oldest continuous settlement in New Hampshire and the seventh oldest in the United States. It was incorporated on June 29, 1855 and the current City Charter was adopted on March 9, 1977. Dover operates under the council-manager form of government. Dover is the seat of Strafford County.

The nine member City Council is the legislative body elected in non-partisan elections every two years, with one representative from each of six wards, two elected at-large and a Mayor. The City Council is responsible, among other things, for passing ordinances, adopting the annual budget, adopting a six year capital program, adopting bond authorizations, appointing committees and boards, and hiring of the City Manager. The City of Dover is empowered by state statute to levy property taxes on real property located within its boundaries to fund operations.

Administrative functions are carried out by the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The Dover School Department is a dependent school district. The City Council has bottom line appropriation authority. The seven member Dover School Board is elected in non-partisan elections every two years and has authority to allocate and move appropriations within its budget.

The City of Dover provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure, sanitation services such as solid waste disposal and recycling, water distribution, wastewater

collection and treatment, recreational and cultural events and education from kindergarten through grade 12 with a regional vocational center and alternative high school opportunities.

The City's fiscal year begins on July 1st of each year and ends the following June 30th. The City's budget process commences in the fall of each year with the Capital Improvements Program budget. All capital spending of \$ 10,000 or more for items with useful lives of 3 years or longer are included in the budget. Based on City Council financing policy, items are identified for bonding, annual operating budget or other type of financing. Items identified for the annual operating budget are included in the next City Manager's recommended annual budget. Departments are responsible for submitting their annual budget request to the City Manager. After reviews with the departments, the City Manager makes any final adjustments to his recommended budget. The City Manager's recommended annual budget (which includes the School Board request) for the next fiscal year is due to the City Council by April 15th of each year. The City Council may add to, or cut from, the Manager's recommended budget by majority vote; however, the City Council must pass the budget by June 15th after separate public hearings for the City and School budgets and the budget becomes effective July 1. If the City Council does not adopt the budget by June 15th, the City Manager's recommended budget takes effect July 1. After the original budget is adopted, the City Manager may make appropriation transfers within a non-school department or transfer between non-school departments with City Council approval. After initial adoption, the City Council may amend the budget by two-thirds vote.

Factors Affecting Financial Condition

Local Economy. The City of Dover currently enjoys a favorable economic environment and local indicators point to continued stability. Economic indicators include the number of real estate transfers at 12.9% of taxable parcels for FY03, up a full percentage point. Equalized value per capita for FY03 was \$ 74,227, up 13% from \$ 65,680 in FY02.

Unemployment as of June 2003 was at 3.4%, well below both the State and U.S. rates of 4% and 6.5% respectively. This level is about on par with the levels from 1995 through 1997.

The percentage of uncollected taxes at the end of FY91 was 17.6%, while at the end of FY03 this rate was 5.3%. The amount of Property Tax Liens for FY03 remains at a low of 2.0% of the property tax levy.

Motor vehicle permits continued to be strong during FY03 at 29,990 vehicles. This represents a 10-year increase of over 29%. The number of building permits was down from 2002, but remained consistent with 2000 and 2001 at 629 with an average permit of \$ 69,159. The area reflecting the largest negative economic change is the in General Assistance payments; however, this appears to be leveling off in FY03.

The City successfully completed 42 zoning ordinance changes. Included in the rezoning effort were 200 new acres of industrial land, 200 acres for commercial uses, as well as changes intended to buffer the City from the effects of the residential development.

Financial Position. The City's General Fund ended Fiscal Year 2003 with an increase to its Undesignated Fund Balance of \$ 103,845 to \$ 3.7 million. The General Fund has been in the black since the deficits of the early 1990s. The General Fund undesignated fund balance at June 30, 2003 was 6.4% of the FY03 budget (6% is the minimum requirement of the City Financial Policies). The Water and Sewer Funds are in good financial health with quick ratios of 1.27 and 1.34, respectively. The quick ratio is a measure of current asset (excluding inventories) divided by current liabilities. A ratio of 1 is considered satisfactory. The Arena continued its deficit spending reaching a total unrestricted deficit of \$ 1,396,688 and has a quick ratio of .03. The City is in the process of reorganizing the division, increasing fees and reducing costs.

Unreserved/Unrestricted Equity		
Fund	FY02*	FY03
General	3,605,676	3,709,521
Water	860,198	1,105,362
Sewer	2,466,845	3,104,198
Arena	(922,021)	(1,396,688)
Total	6,010,698	6,522,393
* Water, Sewer and Arena restated		

The amount of debt has increased in constant dollars at an annual rate of 4.5% over the past 10 years. General Fund debt per capita is at \$ 1,446, a reasonable amount for a municipality the size of Dover. The General Fund debt to equalized value is 1.9%, considered below average. General Fund Debt Service as a percent of budget at 9.2% is considered average; however, it is higher than the 8% required by policy. This is partially due to the high rate of debt pay down also required by the policy. Pay down of debt over the next 10 years is at 79.3%, above the 75% required by policy and considered aggressive by credit agencies. These two policies conflict to some degree and the later is recommended for change to 65% pay down of debt within the next 10 years.

In August of 1999 the City received a bond rating upgrade from Moody's Investor Services to a Baa1. The City received a second upgrade to A3 in May 2001 and a third in June 2003 to A2. The City also received a rating from Standard & Poor's of A+ in June 2003.

In summary, the General Fund's financial position is considered healthy and improving. Reserves are adequate; however, they should be increased. The local economy is in good shape, in spite of national trends. Unlike the economic conditions of the early 1990's, with a local military base closing, there is no major issue negatively affecting the real estate and banking markets, which are strong. There is also more diversification in the makeup of the business community both in Dover and the surrounding area.

Long-term financial planning. The City Council will be determining the City's capital improvements program needs, which include the facility improvements of the School system in the amount of \$ 12.8 million, streets and sidewalk improvements of \$ 6.9 million, a new Police facility for \$ 6.25 million and the mitigation of the Tolend Road Landfill for \$ 5 million. The School and landfill mitigation projects are expected to receive state aid towards the debt service costs of the financing bonds.

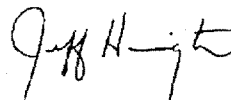
Acknowledgements

This report represents a milestone in the City of Dover's financial reporting. It is the first year that the City has received an unqualified opinion from the auditors due to the inclusion of complete and accurate capital asset information. Also, this is the first comprehensive annual financial report (CAFR) the City has produced. A CAFR is a much more detailed reporting of the City's finances, as well as providing historical information in the statistical section of this report. In addition, the financial statements meet the reporting requirements of the new Governmental Accounting Standards Board (GASB) Statement 34 that provides for a government wide view of the City's finances. Each of these items required many staff hours to accomplish and would not have been possible without the dedication of the entire staff of the Finance Department. Credit must also be given to the Mayor and City Council for their continued support of the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

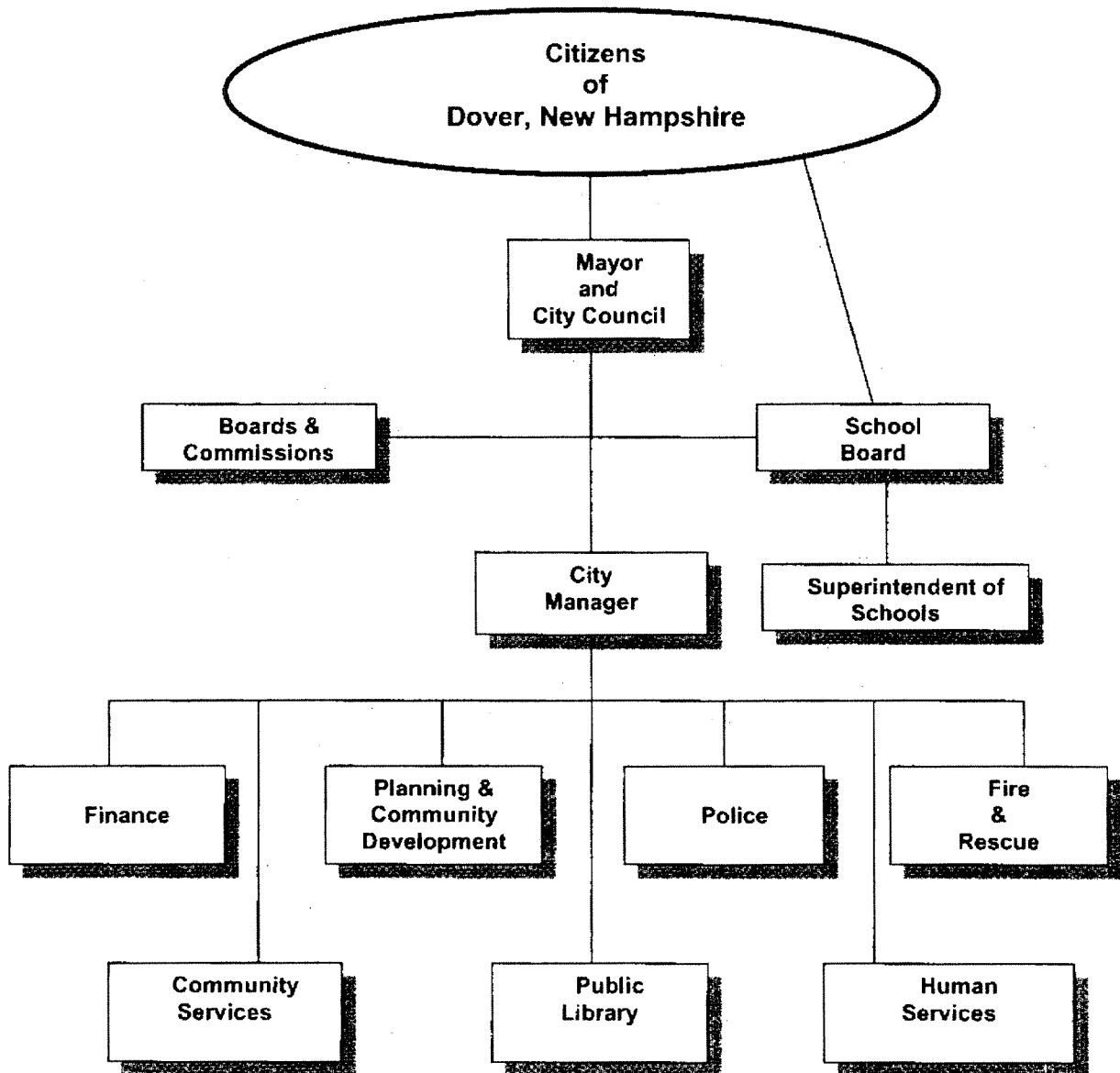


Paul Beecher
City Manager



Jeffrey H. Harrington
Finance Director

City of Dover Organizational Chart





City of Dover

New Hampshire

Fiscal Year 2003

(July 1, 2002 – June 30, 2003)

City Council Members

Mayor: Alexander G. Nossiff

Ward 6: Thomas C. Dunnington, Jr.,
Mayor Pro-Tem

Ward 1: Robert Keays

Ward 2: Brenda Whitmore

Ward 3: Matt Mayberry

Ward 4: Raymond Tweedie

Ward 5: Jason Hindle

At Large: Parks Christenbury III

At Large: Kevin Quigley

City Manager

Paul G. Beecher

Departments

Finance

Planning

Police

Fire and Rescue

Community Services

Public Library

Human Services

Jeffrey H. Harrington

Steven J. Stancel

William Fenniman, Jr.

Perry Plummer

Pierre Lavoie

Cathy Beaudoin

Janet A. Poulin

School Board

Ward 1: Linda Brennan

Ward 2: Valerie McKenny

Ward 3: Carolyn Mebert

Ward 4: Dorothy Hooper

Ward 5: Heather Orion-Hindle

Ward 6: Nicholas Skaltsis

At Large: Doris Grady

Superintendent: Armand LaSelva

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FINANCIAL SECTION

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MH&Co

MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

11 Trafalgar Square • Suite 101
Nashua, NH 03063-1974
Tel (603) 882-1111 • Fax (603) 882-9456

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Dover, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, New Hampshire, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dover's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and applicable Nonmajor Governmental Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, the City has implemented several new *Governmental Accounting Standards Board Statements* which has resulted in the restatement of beginning fund equity balances of several funds, and has established net assets for governmental and business-type activities.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Dover, New Hampshire's basic financial statements. The additional information included in the supplementary statement and schedule section is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
August 22, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dover, we offer readers this narrative overview and analysis of the financial activities of the City of Dover for the fiscal year ended June 30, 2003. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

A. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 101,821,457 (i.e., net assets), an increase of \$ 989,052 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 16,132,748, an increase of \$3,362,948 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,709,521, an increase of \$ 103,845 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$ 55,061,863, an increase of \$ 835,813 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 70,852,151, an increase of \$ 8,009,774 in comparison to the prior year.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Dover's basic financial statements. The basic financial statements comprise of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water, sewer, arena, and Dover Industrial Development Authority (DIDA) activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Annual appropriated budgets are adopted for the general fund and certain nonmajor governmental funds. Budgetary comparison statements have been provided for both funds to demonstrate compliance with these budgets.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, arena and DIDA operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, arena, and DIDA operations, all of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by the *Governmental Accounting Standards Board*.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 101,821,457, an increase of \$ 989,052 from the prior year.

Financial Position. The following is a summary of condensed government-wide financial data of net assets for the current fiscal year. Because fiscal year 2003 was the first year of GASB 34 implementation, prior year comparative data was not available for presentation. Comparative information will be provided in future years.

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 31,340,328	\$ 10,058,938	\$ 41,399,266
Capital Assets	89,073,302	61,943,016	151,016,318
Total Assets	<u>\$ 120,413,630</u>	<u>\$ 72,001,954</u>	<u>\$ 192,415,584</u>
Long-term Liabilities	\$ 55,367,227	\$ 22,650,204	\$ 78,017,431
Other Liabilities	18,286,809	(5,710,113)	12,576,696
Total Liabilities	<u>\$ 73,654,036</u>	<u>\$ 16,940,091</u>	<u>\$ 90,594,127</u>
Net Assets:			
Invested in Capital Assets	\$ 49,686,985	\$ 50,262,498	\$ 99,949,483
Restricted	449,317	908,920	1,358,237
Unrestricted	(3,376,708)	3,890,445	513,737
Total Net Assets	<u>\$ 46,759,594</u>	<u>\$ 55,061,863</u>	<u>\$ 101,821,457</u>

By far the largest portion of net assets \$ 99,949,483 (98.2 percent) reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 1,358,237 represents resources that are subject to external restrictions on how they may be used. The remaining net balance of unrestricted net assets \$ 513,737 may be used to meet the government's ongoing obligations to citizens and creditors.

It should be noted that the unrestricted net asset balance consists of a negative balance in the governmental activities of \$ 3,376,708 and a positive balance in the business-type activities of \$ 3,890,445. The main reason for the negative position of the governmental activities is the inclusion of unfunded long-term liabilities for Tolend Road Landfill mitigation of \$ 11,016,013 and unfunded compensated absences of \$ 2,825,586.

Of the \$ 11,016,013 for Tolend Road Landfill mitigation, \$ 6,916,013 represents mitigation costs and \$ 4,100,000 represents post mitigation maintenance and monitoring. The City anticipates the mitigation costs to be financed with long-term debt and it is included in the City's six year Capital Improvements Program. The maintenance and monitoring costs are expected to be financed within the annual operating budget, as needed.

The \$ 2,825,586 for compensated absences represents the unfunded portion of accrued employee leave benefits, payable as taken or at termination. The City has also funded an additional liability of \$ 492,666 into a separate fund to make payments. The unfunded portion is to be financed in the annual budget as needed.

Financial Results. The following is a summary of condensed government-wide financial data of changes in net assets for the current fiscal year. Because fiscal year 2003 was the first year of GASB 34 implementation, prior year comparative data was not available for presentation. Comparative information will be provided in future years.

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 13,056,890	\$ 8,138,952	\$ 21,195,842
Operating grants and contributions	9,116,737	-	9,116,737
Capital grants and contributions	1,691,916	512,554	2,204,470
General revenues:			
Property taxes	38,969,984	-	38,969,984
Motor vehicle registration	3,719,694	-	3,719,694
Penalties and interest on taxes	196,283	-	196,283
Investment income	244,495	11,042	255,537
Other	223,362	-	223,362
Total Revenues	67,219,361	8,662,548	75,881,909
Expenses:			
General government	3,745,857	-	3,745,857
Public safety	9,713,495	-	9,713,495
Public works	7,995,930	-	7,995,930
Culture and recreation	2,985,494	-	2,985,494
Education	36,502,911	-	36,502,911
Human services	630,133	-	630,133
Intergovernmental	3,695,246	-	3,695,246
Interest on long-term debt	1,492,822	1,199,742	2,692,564
Miscellaneous	318,758	-	318,758
Water operations*	-	2,112,830	2,112,830
Sewer operations*	-	3,534,609	3,534,609
Arena operations*	-	957,932	957,932
DIDA operations	-	7,098	7,098
Total Expenses	67,080,646	7,812,211	74,892,857
Change in Net Assets before Transfers	138,715	850,337	989,052
Transfers in (out)	14,524	(14,524)	-
Change in Net Assets	153,239	835,813	989,052
Net Assets - beginning of year	46,606,355	54,226,050	100,832,405
Net Assets - end of year	<u>\$ 46,759,594</u>	<u>\$ 55,061,863</u>	<u>\$ 101,821,457</u>

* Excludes Interest on long-term debt reflected separately as follows:

Water \$ 213,516, Sewer \$ 792,958, Arena \$ 193,268

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 153,239. Key elements of this increase are as follows:

- The \$ 153,239 change in net assets consists principally of favorable general fund budgetary results of \$ 775,000 (less \$ 250,000 use of fund balance), excess of revenues of expenditures in nonmajor governmental funds (exclusive of capital projects) and the excess of depreciation expense over debt principal payments.

Business-Type Activities. Business-type activities for the year resulted in an increase in net assets of \$ 835,813 or 1.5%. Key elements of this change are as follows:

- The Water and Sewer Funds had net asset increases of \$ 835,575 or 6.1% and \$ 375,347 or .9%, respectively. The increases mainly relate to an increase in the estimate of unbilled revenue.
- The Arena Fund had a decrease in net assets of \$ 368,010 or 87.6% due mainly to a shortage of \$ 264,330 in revenue from low ice rental rates and transfers in.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 16,132,748, an increase of \$ 3,362,948 in comparison with the prior year. Most of this increase was attributable to realizing of \$ 9,159,000 in bond proceeds for capital improvements in the non-major governmental funds.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 3,709,521, while total fund balance was \$ 6,137,847. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.5 percent of total general fund expenditures, while total fund balance represents 10.8 percent of that same amount.

The fund balance of the general fund increased by \$ 433,364 during the current fiscal year, or 7.6%. Key factors in this change are as follows:

- Receipt of Motor Vehicle Permit revenue in excess of the amount budgeted by \$ 219,694.
- Under spending of departmental appropriations by \$ 285,485.

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 3,890,445. This amount consists of the Water Fund of \$ 1,105,762, the Sewer Fund of \$ 3,104,198, the Arena Fund deficit of \$ 1,396,688 and the Dover Industrial Development Fund (DIDA) of \$ 1,077,173. Of the net assets of the DIDA Fund, \$ 1,043,641 represents an investment in land holdings for the purpose of resale for economic development.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

The Combined Balance Sheet presented on pages 18 and 19 is on a fund basis in accordance with the financial reporting model prior to GASB Statement 34 and is intended to assist the reader in understanding the City's financial position.

CITY OF DOVER, NEW HAMPSHIRE
Schedule of Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
ASSETS					
Current Assets:					
Cash	\$ 6,461,098	\$ 39,644	\$ -	\$ 600	\$ -
Investments	16,761,974	2,111,707	-	892,769	-
Receivables, net of allowance for uncollectibles					
Taxes	2,010,899	-	-	-	-
Departmental	62,708	140,275	-	561,007	103,587
Departmental - unbilled	-	-	-	996,315	-
Intergovernmental	443,855	1,088,990	-	7,689,827	-
Loans receivable	-	618,898	-	-	-
Due from other funds	939,808	1,816,888	6,389,776	9,291,437	660,424
Inventories	-	40,898	-	232,916	66,489
Other assets	-	-	-	20,744	7,426
Long-term assets:					
Advance to other funds	1,381,880	-	-	-	-
Property, plant and equipment, net	-	-	-	62,989,657	-
Amounts to be provided for retirement of general long-term debt and other liabilities	-	-	-	-	-
Total Assets	\$ 28,062,222	\$ 5,857,300	\$ 6,389,776	\$ 82,675,272	\$ 837,926
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ 421,704	\$ 167,407	\$ 376,475	\$ 481,046	\$ 22,243
Accrued liabilities	1,859,542	22,056	598	378,162	416,117
Retainage payable	-	-	105,512	173,290	-
Deferred revenue	900,462	637,120	-	-	-
Due to other funds	18,738,878	943,007	-	-	-
Other current liabilities	-	-	-	1,688	-
Long-term liabilities:					
Advance from Other Funds	-	-	-	1,381,880	-
Long-term debt	-	-	-	25,076,059	-
Other long-term liabilities	3,789	-	-	-	-
Compensated absences	-	-	-	121,284	-
Total Liabilities	21,924,375	1,769,590	482,585	27,613,409	438,360
Fund Balances:					
Invested in capital assets	-	-	-	-	-
Invested in capital assets- net of debt	-	-	-	50,262,498	-
Reserved For:					
Endowment	-	-	-	-	-
Encumbrances	790,753	394,500	1,825,214	-	-
Advances	1,381,880	-	-	-	-
Inventory	-	23,424	-	-	-
Debt	170,000	-	-	-	-
Capital outlay	85,693	-	4,081,977	908,920	-
Unreserved	3,709,521	3,669,786	-	3,890,445	399,566
Total Fund Balances	6,137,847	4,087,710	5,907,191	55,061,863	399,566
Total Fund Balances & Liabilities	\$ 28,062,222	\$ 5,857,300	\$ 6,389,776	\$ 82,675,272	\$ 837,926

Fiduciary Fund Types		Account Groups		Totals
Trusts	Agency	General Capital Assets	General Long Term Debt	Memorandum Only
\$ -	\$ -	\$ -	\$ -	\$ 6,501,342
532,645	-	-	-	20,299,095
-	-	-	-	2,010,899
-	-	-	-	867,577
-	-	-	-	996,315
-	-	-	-	9,222,672
-	-	-	-	618,898
9,797	573,755	-	-	19,681,885
-	-	-	-	340,303
-	-	-	-	28,170
-	-	-	-	1,381,880
-	-	89,073,302	-	152,062,959
-	-	-	59,617,691	59,617,691
<u>\$ 542,442</u>	<u>\$ 573,755</u>	<u>\$ 89,073,302</u>	<u>\$ 59,617,691</u>	<u>\$ 273,629,686</u>
\$ -	\$ 573,755	\$ -	\$ -	\$ 2,042,630
-	-	-	-	2,676,475
-	-	-	-	278,802
-	-	-	-	1,537,582
-	-	-	-	19,681,885
-	-	-	-	1,688
-	-	-	-	1,381,880
-	-	-	45,776,092	70,852,151
-	-	-	11,016,013	11,019,802
-	-	-	2,825,586	2,946,870
-	573,755	-	59,617,691	112,419,765
-	-	89,073,302	-	89,073,302
-	-	-	-	50,262,498
542,442	-	-	-	542,442
-	-	-	-	3,010,467
-	-	-	-	1,381,880
-	-	-	-	23,424
-	-	-	-	170,000
-	-	-	-	5,076,590
-	-	-	-	11,669,318
<u>542,442</u>	<u>-</u>	<u>89,073,302</u>	<u>-</u>	<u>161,209,921</u>
<u>\$ 542,442</u>	<u>\$ 573,755</u>	<u>\$ 89,073,302</u>	<u>\$ 59,617,691</u>	<u>\$ 273,629,686</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 317,811. Major reasons for these amendments include:

- \$ 200,000 for additional snow removal.
- \$ 100,000 for additional Education purposes.
- \$ 17,811 for a state grant received by Community Services - Public Works for waste oil removal.

Of this increase, \$ 300,000 was funded from motor vehicle permit revenue in excess of the original budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 151,019,316 (net of accumulated depreciation), an increase of approximately \$ 10,644,000 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment. The following yearly comparison shows net fixed assets by category:

Capital Assets (000s) (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2002	2003	2002	2003	2002	2003
Land	\$ 10,334	\$ 10,334	\$ 1,712	\$ 2,037	\$ 12,046	\$ 12,371
Buildings and improvements	36,043	38,745	27,941	26,842	63,984	65,587
Machinery and equipment	12,484	11,673	1,855	1,980	14,339	13,653
Infrastructure	15,703	17,286	26,249	25,876	41,952	43,162
Construction in Progress	12,546	11,035	1,881	5,211	14,427	16,246
Total Assets	\$ 87,110	\$ 89,073	\$ 59,638	\$ 61,946	\$ 146,748	\$ 151,019

Major capital asset events during the current fiscal year included the following:

- The increase in building improvements mainly related to the Dover High School and Horne Street School for \$ 2,135,632 and \$ 915,000 respectively.
- The increase in infrastructure improvements mainly related to the Sixth Street Reconstruction of \$ 2,125,028 and general street improvements of \$ 719,214.

- The increase to construction in progress mainly related to School Facility Improvements of \$ 1,645,120, Tolend Road Landfill mitigation of \$ 871,880, the Dover Point Water Main of \$ 786,335 and the Berry Brook Sewer Main of \$ 723,484.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding was \$ 70,852,151, a net increase of \$ 8,009,774 over the previous fiscal year end, all of which was backed by the full faith and credit of the government.

Long-term Debt (000s)

	Governmental Activities		Business-Type Activities		Totals	
	2002	2003	2002	2003	2002	2003
General Obligation Bonds	\$ 39,598	\$ 44,844	\$ 22,182	\$ 25,053	\$ 61,780	\$ 69,897
State Revolving Loans	1,017	932	45	23	1,062	955
Total Long-term Debt	\$ 40,616	\$ 45,776	\$ 22,227	\$ 25,076	\$ 62,842	\$ 70,852

- During the fiscal year, the City issued \$ 14,280,000 in general obligation bonds; \$ 9,159,000 related to governmental activities and \$ 5,121,000 related to business-type activities. The City bonds were insured by AMBAC and were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The underlying rating of the City was an A2 rating from Moody's Investor Service and an A+ from Standard & Poor's. The bonds sold at a true interest cost of 3.17 percent.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

G. NEXT YEAR'S BUDGETS AND RATES

The budget, tax levies and tax rates of the General Fund for the subsequent fiscal year have been formalized. The following table reflects the budget amounts, at the time of tax rate setting, for each year for the General Fund.

General Fund Budget	FY03	FY04	Increase (Decrease)	% Change
City	21,903,467	23,301,253	1,397,786	6.4%
School	31,930,456	33,238,790	1,308,334	4.1%
County	3,695,245	4,639,183	943,938	25.5%
Total Budget	57,529,168	61,179,226	3,650,058	6.3%

The following table reflects the tax levy amounts for each year.

Tax Levies	FY03	FY04	Increase (Decrease)	% Change
City	14,465,998	15,270,024	804,026	5.6%
School - Local	11,262,544	12,421,536	1,158,992	10.3%
School - State	8,936,790	8,716,438	(220,352)	-2.5%
Total School	20,199,334	21,137,974	938,640	4.6%
County	3,645,193	4,589,131	943,938	25.9%
Total Tax Levy	38,310,525	40,997,129	2,686,604	7.0%

The following table reflects the tax rates for each year.

Tax Rate	FY03	FY04	Increase (Decrease)	% Change
City	7.90	7.43	(0.47)	-5.9%
School - Local	6.08	5.98	(0.10)	-1.6%
School - State	4.91	4.26	(0.65)	-13.2%
Total School	10.99	10.24	(0.75)	-6.8%
County	1.97	2.21	0.24	12.2%
Total Tax Rate	20.86	19.88	(0.98)	-4.7%

- The reason for the overall decrease in the tax rate relates to an increase of \$ 225,664,950 in net assessed value to \$ 2,077,988,192.

The budget and user fees of the utility funds for the subsequent fiscal year have been formalized. The following table reflects the original adopted budget amounts for each year for the Water and Sewer Funds.

Utility Funds	FY03	FY04	Increase (Decrease)	% Change
Water Fund	2,323,187	2,542,010	218,823	9.4%
Sewer Fund	3,657,819	3,750,424	92,605	2.5%
Total Utility Funds	5,981,006	6,292,434	311,428	5.2%

The following table reflects the utility rates per one hundred cubic feet (HCF) of water consumption for each year. (1 HCF = 748 gallons)

Utility Rates	FY03	FY04	Increase (Decrease)	% Change
Water Fund	2.17	2.38	0.21	9.7%
Sewer Fund	3.73	3.98	0.25	6.7%
Combined Rates	5.90	6.36	0.46	7.8%

- The City is addressing the Arena Fund deficit through the renegotiation of ice rental rates and reorganization of the division in fiscal year 2004.

Discussion of other financial and economic factors are included in the Transmittal Letter.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Dover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director, City of Dover
Municipal Building
288 Central Avenue
Dover, New Hampshire 03820

The City of Dover's web site contains additional financial information at:

www.ci.dover.nh.us

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CITY OF DOVER, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 6,500,742	\$ 600	\$ 6,501,342
Investments	18,873,681	892,769	19,766,450
Receivables, net of allowance for uncollectibles:			
Property taxes	1,360,379	-	1,360,379
User fees	-	1,557,322	1,557,322
Departmental and other	306,570	-	306,570
Intergovernmental	1,532,845	1,059,948	2,592,793
Loans	618,898	-	618,898
Inventory	107,387	232,915	340,302
Other assets	7,426	20,744	28,170
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	-	6,629,879	6,629,879
Other	650,520	-	650,520
Advance to (from) other funds	1,381,880	(1,381,880)	-
Investment in land	-	1,043,641	1,043,641
Capital assets, net of accumulated depreciation	<u>89,073,302</u>	<u>61,946,016</u>	<u>151,019,318</u>
TOTAL ASSETS	120,413,630	72,001,954	192,415,584
LIABILITIES			
Current:			
Accounts payable	987,829	481,045	1,468,874
Accrued liabilities	2,365,836	378,161	2,743,997
Retainage payable	105,512	173,289	278,801
Interfund	9,874,989	(9,291,437)	583,552
Other current liabilities	159,043	1,690	160,733
Current portion of long-term liabilities:			
Bonds payable	4,214,821	2,547,139	6,761,960
Compensated absences	578,779	-	578,779
Noncurrent:			
Bonds payable, net of current portion	41,561,271	22,528,920	64,090,191
Compensated absences, net of current portion	2,789,943	121,284	2,911,227
Liability for hazardous waste-site cleanup	<u>11,016,013</u>	<u>-</u>	<u>11,016,013</u>
TOTAL LIABILITIES	73,654,036	16,940,091	90,594,127
NET ASSETS			
Invested in capital assets, net of related debt	49,686,985	50,262,498	99,949,483
Restricted for:			
Capital projects	-	908,920	908,920
State and federal grants	449,317	-	449,317
Unrestricted	<u>(3,376,708)</u>	<u>3,890,445</u>	<u>513,737</u>
TOTAL NET ASSETS	\$ <u>46,759,594</u>	\$ <u>55,061,863</u>	\$ <u>101,821,457</u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,745,857	\$ 1,484,034	\$ 1,461,553	\$ -
Public safety	9,713,495	1,235,206	629,470	-
Public works	7,995,930	868,876	264,531	1,324,773
Culture and recreation	2,985,494	403,968	34,953	16,895
Education	36,502,911	9,004,003	6,726,230	350,248
Human services	630,133	6,230	-	-
Intergovernmental	3,695,246	-	-	-
Interest	1,492,822	-	-	-
Miscellaneous	318,758	54,573	-	-
Total Governmental Activities	<u>67,080,646</u>	<u>13,056,890</u>	<u>9,116,737</u>	<u>1,691,916</u>
Business-Type Activities:				
Water services	2,326,346	3,158,780	-	-
Sewer services	4,327,567	4,196,982	-	512,554
Arena services	1,151,200	783,190	-	-
DIDA services	7,098	-	-	-
Total Business-Type Activities	<u>7,812,211</u>	<u>8,138,952</u>	<u>-</u>	<u>512,554</u>
Total	<u>\$ 74,892,857</u>	<u>\$ 21,195,842</u>	<u>\$ 9,116,737</u>	<u>\$ 2,204,470</u>

General Revenues:

Property taxes
Motor vehicle registrations
Penalties, interest and other taxes
Investment income
Other revenue
Transfers, net

Total general revenues and transfers

Change in Net Assets

Net Assets:

Beginning of year

End of year

See notes to financial statements.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-</u>	
<u>Activities</u>	<u>Type</u>	<u>Total</u>
	<u>Activities</u>	
\$ (800,270)	\$ -	\$ (800,270)
(7,848,819)	-	(7,848,819)
(5,537,750)	-	(5,537,750)
(2,529,678)	-	(2,529,678)
(20,422,430)	-	(20,422,430)
(623,903)	-	(623,903)
(3,695,246)	-	(3,695,246)
(1,492,822)	-	(1,492,822)
(264,185)	-	(264,185)
<u>(43,215,103)</u>	<u>-</u>	<u>(43,215,103)</u>
-	832,434	832,434
-	381,969	381,969
-	(368,010)	(368,010)
-	(7,098)	(7,098)
<u>-</u>	<u>839,295</u>	<u>839,295</u>
<u>(43,215,103)</u>	<u>839,295</u>	<u>(42,375,808)</u>
38,969,984	-	38,969,984
3,719,694	-	3,719,694
196,283	-	196,283
244,495	11,042	255,537
223,362	-	223,362
14,524	(14,524)	-
<u>43,368,342</u>	<u>(3,482)</u>	<u>43,364,860</u>
153,239	835,813	989,052
<u>46,606,355</u>	<u>54,226,050</u>	<u>100,832,405</u>
<u>\$ 46,759,594</u>	<u>\$ 55,061,863</u>	<u>\$ 101,821,457</u>

CITY OF DOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2003

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 6,461,098	\$ 39,644	\$ 6,500,742
Investments	16,761,974	2,111,707	18,873,681
Receivables, net of allowance for uncollectibles:			
Taxes	2,010,899	-	2,010,899
Departmental and other	62,708	140,275	202,983
Intergovernmental	443,855	1,088,990	1,532,845
Loans	-	618,898	618,898
Due from other funds	939,808	8,206,664	9,146,472
Advance to other funds	1,381,880	-	1,381,880
Inventory	-	40,898	40,898
TOTAL ASSETS	\$ 28,062,222	\$ 12,247,076	\$ 40,309,298
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 421,704	\$ 543,882	\$ 965,586
Accrued liabilities	1,859,542	22,654	1,882,196
Retainage payable	-	105,512	105,512
Deferred revenues	900,462	637,120	1,537,582
Due to other funds	18,738,878	943,007	19,681,885
Other liabilities	3,789	-	3,789
TOTAL LIABILITIES	21,924,375	2,252,175	24,176,550
Fund Balances:			
Reserved for:			
Encumbrances	790,753	2,219,714	3,010,467
Advances	1,381,880	-	1,381,880
Expenditures	85,693	-	85,693
Other specific purposes	170,000	23,424	193,424
Unreserved:			
Undesignated, reported in:			
General fund	3,709,521	-	3,709,521
Special revenue funds	-	3,669,786	3,669,786
Capital project funds	-	4,081,977	4,081,977
TOTAL FUND BALANCES	6,137,847	9,994,901	16,132,748
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,062,222	\$ 12,247,076	\$ 40,309,298

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 38,649,599	\$ 477,468	\$ 39,127,067
Licenses and permits	4,096,208	-	4,096,208
Intergovernmental	1,914,757	5,113,963	7,028,720
Current services	1,124,299	2,861,961	3,986,260
Education	11,740,906	-	11,740,906
Miscellaneous	<u>478,202</u>	<u>582,570</u>	<u>1,060,772</u>
Total Revenues	58,003,971	9,035,962	67,039,933
Expenditures:			
Current:			
General government	2,946,305	416,274	3,362,579
Public safety	8,500,956	1,168,557	9,669,513
Public works	4,451,367	826,979	5,278,346
Culture and recreation	1,973,218	53,137	2,026,355
Education	29,199,879	5,443,127	34,643,006
Human services	653,336	528,133	1,181,469
Capital outlay	-	7,471,290	7,471,290
Intergovernmental	3,695,246	-	3,695,246
Debt service	<u>5,522,705</u>	<u>-</u>	<u>5,522,705</u>
Total Expenditures	56,943,012	15,907,497	72,850,509
Excess (deficiency) of revenues over expenditures	1,060,959	(6,871,535)	(5,810,576)
Other Financing Sources (Uses):			
Proceeds of bonds	-	9,159,000	9,159,000
Operating transfers in	49,595	894,914	944,509
Operating transfers out	<u>(677,190)</u>	<u>(252,795)</u>	<u>(929,985)</u>
Total Other Financing Sources (Uses)	<u>(627,595)</u>	<u>9,801,119</u>	<u>9,173,524</u>
Excess of revenues and other sources over expenditures and other uses	433,364	2,929,584	3,362,948
Fund Equity, at Beginning of Year, as restated	<u>5,704,483</u>	<u>7,065,317</u>	<u>12,769,800</u>
Fund Equity, at End of Year	\$ <u><u>6,137,847</u></u>	\$ <u><u>9,994,901</u></u>	\$ <u><u>16,132,748</u></u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2003

Total governmental fund balances	\$ 16,132,748
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	89,073,302
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,555,142
<ul style="list-style-type: none">• Internal services funds are used by management to account for Dover Net, Central Stores, fleet maintenance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	399,566
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(333,062)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(60,068,102)
Net assets of governmental activities	\$ <u>46,759,594</u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,362,948

<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases, net	6,079,537
Depreciation	(4,116,688)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. 	
	15,973
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Issuance of debt	(9,159,000)
Repayments of debt	3,998,487
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	31,396
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	(142,966)
<ul style="list-style-type: none"> Internal service funds are used by management to account for Dover Net, Central Stores, fleet maintenance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. 	
	<u>83,552</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>153,239</u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE

Statement of Revenues and Other Financing Sources,
and Expenditures and Other Financing Uses -
Budget and Actual - General Fund - Budget Basis

For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues and Other Sources:				
Taxes	\$ 38,613,335	\$ 38,613,335	\$ 38,682,692	\$ 69,357
Licenses and permits	3,500,433	3,800,433	4,096,221	295,788
Intergovernmental	1,849,830	1,867,641	1,914,757	47,116
Current services	1,059,473	1,059,473	1,124,299	64,826
Education	11,731,122	11,731,122	11,740,906	9,784
Other revenue	492,975	492,975	478,202	(14,773)
Transfers in	32,000	32,000	49,595	17,595
Total Revenues and Other Sources	57,279,168	57,596,979	58,086,672	489,693
Expenditures and Other Uses:				
General Government				
City Council	154,349	154,349	144,835	9,514
Executive	928,532	931,532	930,310	1,222
Finance	912,917	912,917	908,354	4,563
Planning	585,449	633,866	632,885	981
Misc. General Government	701,586	801,724	800,710	1,014
Total General Government	3,282,833	3,434,388	3,417,094	17,294
Public Safety				
Police	4,800,088	4,798,818	4,756,118	42,700
Fire	3,863,585	3,863,585	3,853,753	9,832
Total Public Safety	8,663,673	8,662,403	8,609,872	52,531
Community Services - Public Works	3,758,211	3,953,855	3,898,641	55,214
Culture and Recreation				
Community Services - Recreation	1,153,205	1,070,685	1,039,652	31,033
Public Library	939,966	939,966	918,719	21,247
Total Culture and Recreation	2,093,171	2,010,651	1,958,371	52,280
Human Services	591,545	657,915	655,030	2,885
Education	29,751,613	29,851,613	29,825,786	25,827
Debt Service				
Principal	3,977,237	3,977,237	3,977,237	-
Interest	1,715,640	1,603,671	1,524,218	79,453
Total Debt Service	5,692,877	5,580,908	5,501,455	79,453
Intergovernmental	3,695,245	3,695,246	3,695,246	-
Total Expenditures and Other Uses	57,529,168	57,846,979	57,561,494	285,485
Excess (deficiency) of revenues and other sources over expenditures and other use	\$ <u>(250,000) *</u>	\$ <u>(250,000) *</u>	\$ <u>525,178</u>	\$ <u>775,178</u>

* Represents budgetary use of Fund Balance voted by the City Council.

See accompanying notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE

SCHEDULE OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

ANNUALLY BUDGETED NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Charges for services	\$ 1,189,839	\$ 1,189,839	\$ 864,822	\$ (325,017)
Intergovernmental	-	-	506,247	506,247
Miscellaneous	241,663	241,663	269,828	28,165
Transfers in	<u>374,000</u>	<u>374,000</u>	<u>374,000</u>	<u>-</u>
Total Revenues and Other Sources	1,805,502	1,805,502	2,014,897	209,395
Expenditures and Other Uses:				
Public safety	272,863	272,863	250,289	22,574
Education	800,000	800,000	1,073,272	(273,272)
Public works	704,639	704,639	686,026	18,613
Culture and recreation	<u>28,000</u>	<u>28,000</u>	<u>27,524</u>	<u>476</u>
Total Expenditures and Other Uses	<u>1,805,502</u>	<u>1,805,502</u>	<u>2,037,111</u>	<u>(231,609)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(22,214)</u>	\$ <u>(22,214)</u>

See Independent Auditors' Report.

CITY OF DOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2003

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Arena Fund	DIDA Fund	
<u>ASSETS</u>					
Current:					
Cash and short-term investments	\$ -	\$ -	\$ 600	\$ -	\$ -
Investments	149,657	733,804	9,308	-	-
User fees, net of allowance for uncollectibles					
Billed	225,652	291,396	43,959	-	103,587
Unbilled	427,729	568,586	-	-	-
Intergovernmental receivables	10	1,059,938	-	-	-
Due from other funds	3,316,074	5,959,083	313	15,967	660,424
Inventory	211,857	19,537	1,522	-	66,489
Other assets	1,603	1,576	-	17,565	7,426
Total current assets	4,332,582	8,633,920	55,702	33,532	837,926
Noncurrent:					
Investment in land	-	-	-	1,043,641	-
Intergovernmental	-	6,629,879	-	-	-
Capital assets, net of accumulated depreciation	16,661,496	40,651,138	4,633,382	-	-
Total noncurrent assets	16,661,496	47,281,017	4,633,382	1,043,641	-
TOTAL ASSETS	20,994,078	55,914,937	4,689,084	1,077,173	837,926
<u>LIABILITIES</u>					
Current:					
Accounts payable	344,866	121,345	14,835	-	22,243
Accrued liabilities	52,986	302,668	22,508	-	416,117
Retainage payable	53,775	119,515	-	-	-
Advance from other funds	-	-	1,381,880	-	-
Other current liabilities	763	925	-	-	-
Current portion of long-term liabilities:					
Bonds payable	645,649	1,653,000	248,490	-	-
Total current liabilities	1,098,039	2,197,453	1,667,713	-	438,360
Noncurrent:					
Bonds payable, net of current portion	5,340,000	13,403,000	3,785,920	-	-
Compensated absences	43,190	54,547	23,547	-	-
Total noncurrent liabilities	5,383,190	13,457,547	3,809,467	-	-
TOTAL LIABILITIES	6,481,229	15,655,000	5,477,180	-	438,360
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	13,243,168	36,420,359	598,971	-	-
Reserved for capital projects	163,919	735,380	9,621	-	-
Unrestricted	1,105,762	3,104,198	(1,396,688)	1,077,173	399,566
TOTAL NET ASSETS	\$ 14,512,849	\$ 40,259,937	\$ (788,096)	\$ 1,077,173	\$ 399,566

See notes to financial statements

CITY OF DOVER, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Arena Fund	DIDA Fund	
Operating Revenues:					
Charges for services	\$ 3,040,583	\$ 3,917,154	\$ 744,278	\$ -	\$ 1,175,104
Other	<u>27,738</u>	<u>179,928</u>	<u>32,662</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	3,068,321	4,097,082	776,940	-	1,175,104
Operating Expenses:					
Personnel services	953,028	946,451	419,123	-	499,342
Supplies and materials	198,097	236,722	40,284	-	23,279
Charges and services	250,698	328,302	86,045	7,098	322,797
Utilities	204,340	312,720	268,306	-	-
Capital outlay	5,030	124,454	-	-	39,441
Depreciation	501,637	1,585,960	144,174	-	-
Costs of sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,693</u>
Total Operating Expenses	<u>2,112,830</u>	<u>3,534,609</u>	<u>957,932</u>	<u>7,098</u>	<u>1,091,552</u>
Operating Income (Loss)	955,491	562,473	(180,992)	(7,098)	83,552
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	-	512,554	-	-	-
Investment income	3,141	7,902	-	-	-
Other	90,459	99,900	6,250	-	-
Interest expense	<u>(213,516)</u>	<u>(792,958)</u>	<u>(193,268)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(119,916)</u>	<u>(172,602)</u>	<u>(187,018)</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	835,575	389,871	(368,010)	(7,098)	83,552
Transfers:					
Operating transfers out	<u>-</u>	<u>(14,524)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	835,575	375,347	(368,010)	(7,098)	83,552
Net Assets at Beginning of Year, as restated	<u>13,677,274</u>	<u>39,884,590</u>	<u>(420,086)</u>	<u>1,084,271</u>	<u>316,014</u>
Net Assets at End of Year	<u>\$ 14,512,849</u>	<u>\$ 40,259,937</u>	<u>\$ (788,096)</u>	<u>\$ 1,077,173</u>	<u>\$ 399,566</u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Arena Fund	DIDA Fund	Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 2,752,857	\$ 4,563,744	\$ 825,847	\$ 7,834	\$ -
Receipts from interfund service provided	-	-	-	-	1,165,608
Payments to vendors and employees	(444,118)	(910,986)	(823,010)	(7,834)	(1,226,645)
Payments of employee benefits and expenses	(952,750)	(946,306)	-	-	-
Net Cash Provided By (Used For) Operating Activities	1,355,989	2,706,452	2,837	-	(61,037)
Cash Flows From Noncapital Financing Activities:					
Transfers to other funds	-	(14,524)	-	-	-
Other	90,459	99,900	6,250	-	-
Intergovernmental subsidy	-	512,554	-	-	-
Net Cash (Used For) Noncapital Financing Activities	90,459	597,930	6,250	-	-
Cash Flows From Capital and Related Financing Activities:					
Proceeds from issuance of bonds and notes	2,225,000	2,896,000	-	-	-
Capital asset additions	(1,921,998)	(2,618,107)	-	-	-
Principal payments on bonds and notes	(546,649)	(1,480,000)	(244,534)	-	-
Interest expense	(213,516)	(792,958)	(193,268)	-	-
Due from other funds	(1,267,088)	(1,569,993)	-	-	61,037
Advance from general fund	-	-	437,644	-	-
Net Cash (Used For) Capital and Related Financing Activities	(1,724,251)	(3,565,058)	(158)	-	61,037
Cash Flows From Investing Activities:					
Investment income	3,142	7,903	-	-	-
Investment purchases (sales)	274,661	252,773	(8,929)	-	-
Net Cash (Used For) Investing Activities	277,803	260,676	(8,929)	-	-
Net Change in Cash and Short-Term Investments	-	-	-	-	-
Cash and Short Term Investments, Beginning of Year	-	-	600	-	-
Cash and Short Term Investments, End of Year	\$ -	\$ -	\$ 600	\$ -	\$ -
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Operating income (loss)	\$ 955,491	\$ 562,473	\$ (180,992)	\$ (7,098)	\$ 83,553
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	501,637	1,585,960	144,174	-	-
Changes in assets and liabilities:					
User fees	(315,464)	466,662	48,908	7,834	(9,496)
Inventory	(26,608)	85	(148)	-	(9,994)
Other assets	(1,604)	(1,576)	-	-	3,978
Accounts payable	276,069	38,316	(5,092)	(736)	(23,322)
Accrued liabilities	(43,079)	(84,808)	(4,013)	-	(105,756)
Other liabilities	9,547	139,340	-	-	-
Net Cash Provided By (Used For) Operating Activities	\$ 1,355,989	\$ 2,706,452	\$ 2,837	\$ -	\$ (61,037)

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Investments	\$ 532,645	\$ -
Due from other funds	<u>9,797</u>	<u>573,755</u>
Total Assets	542,442	573,755
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	<u>-</u>	<u>573,755</u>
Total Liabilities	<u>-</u>	<u>573,755</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>542,442</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	54,206
Investment income	<u>1,105</u>
Total additions	55,311
Deductions:	
Miscellaneous	<u>13,299</u>
Total deductions	<u>13,299</u>
Net increase	42,012
Net assets:	
Beginning of year	<u>500,430</u>
End of year	<u>\$ 542,442</u>

See notes to financial statements.

CITY OF DOVER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Dover, New Hampshire (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected mayor, eight-member council and an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2003, it was determined that no entities met the required GASB-14 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded

from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Water Enterprise Fund
- Sewer Enterprise Fund
- Arena Enterprise Fund
- DIDA Enterprise Fund

The private-purpose trust fund is used to account for trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

The government's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Under the statutes of the State of New Hampshire, the City may invest excess funds in short-term obligations of the U.S. Government, in deposits with savings banks incorporated in the state, or in certificates of deposits of state incorporated banks, national banks incorporated in New Hampshire or Massachusetts, or the New Hampshire Public Deposit Investment Pool. The City has developed a formal investment policy outlining criteria to determine qualified financial institutions and investment in certificates of deposit, repurchase agreements, and U.S. Treasury bills. All investments are made under this policy.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

Under New Hampshire law, "the trustees shall have the custody of all trust funds held by their city or town. The funds shall be invested only by deposit in some savings bank or in the savings department of a national bank or trust company in this state, or in shares of any building and loan association or co-operative bank, incorporated and doing business under the laws of this state, or in the shares of any federal savings and loan association, located and doing business in this state, or in bonds, notes or other obligations of the United States government, or in state, country, town, city, school district, water and sewer district bonds and the notes of towns or cities in this state; and such stock and bonds as are legal for investment by New Hampshire savings banks and when so invested, the trustees shall not be liable for the loss thereof; and in any common trust fund established by the New Hampshire Charitable Foundation in accordance with RSA 292:23. The trustees may retain investments as received from donors, until the maturity thereof." Investments of any one type or in any one institution may not exceed \$ 10,000 or 10 percent except for deposits in savings banks, or in the savings department of a national bank or trust company in this state, or in shares of any building and loan association or co-operative bank, incorporated and doing business under the laws of this state, or in the shares of any federal savings and loan association, located and doing business in this state, or in obligations of the United States and of the state of New Hampshire and its subdivisions; or in participation units of any common trust funds established by the New Hampshire Charitable Foundation in accordance with RSA 292:23."

Investments for the trust funds consist of shares in mutual funds and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	40
Building systems	15 - 24
Infrastructure	20 - 60
Water/sewer infrastructure	24 - 50
Vehicles	8 - 15
Office equipment	7 - 15
Computer equipment	5 - 10
Improvements other than buildings	15 - 20
Machinery and equipment	5 - 15

I. Compensated Absences

Depending on the union, employees may be compensated for unused amounts of sick leave earned prior to June 30, 1993, ranging from 25% to 75% of accumulated time. Effective June 30, 1993, all non-education employees are awarded sick leave at a rate of 10 days per year, which

lapses at year end. Employees earn vacation leave as they provide services. Employees may carry over earned vacation days with some limitations (usually sixty days) and use compensatory time for unused balances upon termination with some limitations, usually 30 days.

All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

During fiscal year 2002, the City began funding the current vested portion of vacation and sick time for non-enterprise fund employees by establishing a capital reserve fund. The balance in the fund as of June 30, 2003 was \$ 492,666. The vested portion attributable to enterprise fund employees has been recorded in the respective fund.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The City Manager submits his proposed operating budget to the City Council on or before April 1. The operating budget includes proposed expenditures and the means of financing them. Annual budgets are

adopted for the general fund, various special revenue funds, and proprietary funds. Public hearings are conducted to obtain comments on the proposed budget. The final budget must be adopted by June 15, but not earlier than seven days after a public hearing. A separate public hearing is held on the portion of the budget submitted by the School Committee.

The City Manager, with Council approval, may transfer budgeted amounts between non-school departments, and the head of the School Department may transfer budget amounts within the department. The City Council may, after public hearings, appropriate additional amounts. The City Council must designate the source of such funds except for emergency situations. All unencumbered appropriations, except those for capital expenditures or dedicated funds, lapse at the end of the fiscal year. Appropriation for capital expenditures remains in force for three years or until their purpose has been accomplished or abandoned.

B. Budgetary Basis

The General Fund final appropriation appearing on Budget and Actual page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and special revenue funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund and various special revenue funds are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and other <u>financing sources</u>	Expenditures and other <u>financing uses</u>	Excess (deficiency) of revenues and other financing sources over (under) expenditures and other <u>financing uses</u>
<u>General Fund</u>			
Revenues/Expenditures (GAAP basis)	\$ 58,003,971	\$ 56,943,012	\$ 1,060,959
Other financing sources/ uses (GAAP basis)	<u>49,595</u>	<u>677,190</u>	(<u>627,595</u>)
Subtotal (GAAP basis)	58,053,566	57,620,202	433,364
			(continued)

(continued)

<u>General Fund</u>	<u>Revenues and other financing sources</u>	<u>Expenditures and other financing uses</u>	<u>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</u>
Adjust property tax revenue to accrual basis	33,106	-	33,106
Reverse beginning of year appropriation carryforwards from expenditures	-	(760,238)	760,238
Add end of year appropriation carryforwards to expenditures	-	722,780	(722,780)
To reverse amortized debt	-	(21,250)	21,250
Budgetary Basis	\$ <u>58,086,672</u>	\$ <u>57,561,494</u>	\$ <u>525,178</u>
<u>Nonmajor Governmental Funds</u>			
Revenues/Expenditures (GAAP basis)	\$ 9,035,962	\$ 15,907,497	\$ (6,871,535)
Other financing sources/ uses (GAAP basis)	<u>10,053,914</u>	<u>252,795</u>	<u>9,801,119</u>
Subtotal	19,089,876	16,160,292	2,929,584
Nonmajor governmental funds previously budgeted or not governed by annual budget	(17,074,979)	(14,123,181)	(2,951,798)
Budgetary basis	\$ <u>2,014,897</u>	\$ <u>2,037,111</u>	\$ (<u>22,214</u>)

In addition, adjustments are made to the proprietary funds to conform to the budgetary basis, primarily for the omission of depreciation expense which is not budgeted, and the inclusion of principal debt service and capital expenses which are budgeted expenses.

D. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following areas:

Nonmajor Governmental Funds:

Special Revenue Funds:

Tuition Programs	\$(210,318)
School Alternative Education	\$(1,601)
School Facilities	\$(61,353)

Proprietary Funds:

Enterprise Fund:	
Arena Fund	\$(98,558)

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2003:

Nonmajor Governmental Funds:

Special Revenue Funds:	
Police - DOT	\$(268)
Tuition Programs Fund	\$(6,298)

Proprietary Funds:

Enterprise Fund:	
Arena Fund	\$(788,096)

The deficits in these funds will be eliminated through future departmental or intergovernmental revenues and transfers from other funds.

3. Cash and Cash Equivalents

At year end, the City's carrying amount of deposits was \$ 6,501,342 and the bank balance was \$ 7,924,200. Of the bank balance, \$ 128,750 was covered by federal depository insurance or by collateral held by the government's agent in the City's name. The remaining balance was collateralized with securities held by the Federal Reserve Bank of Boston in a joint account of the financial institution and the government in both names.

4. Investments

The City's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			Total
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments not subject to categorization:				
Public deposit investment pool	\$ 18,525	\$ -	\$ -	\$ 18,525 *
Mutual and money market funds	<u>-</u>	<u>1,774</u>	<u>-</u>	<u>1,774</u>
Total Investments	\$ <u>18,525</u>	\$ <u>1,774</u>	\$ <u>-</u>	\$ <u>20,299</u>

* These investments are fully collateralized with collateral held by a third party, and are fully insured by MBIA, Inc.

5. Taxes Receivable

The City bills property taxes semi-annually, in October and April of the following year. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable within the current fiscal year and collected within the current period or within 60 days of year end.

Property taxes are due no earlier than December 1 and June 1, of the following year and must be due at least 30 days after bills are mailed. At the time of the tax lien, which the City usually places within 60 to 90 days after the second due date, a lien is recorded on the property at the Registry of Deeds. If the property taxes are not paid (redeemed) within two years and one day of the tax lien date, the property could be conveyed to the City by deed and subsequently sold at public auction or sealed bid.

The City annually budgets an amount (overlay for abatements) for property tax abatements and refunds. All abatements and refunds are charged to overlay. Prior to fiscal year 1996, the City was funding all abatement out of the current year appropriation regardless of the levy of the tax. During fiscal year 1996, the City began matching property tax abatements for individual levy years, with the tax revenue earned by the individual levy years.

Taxes receivable at June 30, 2003 are comprised of (in thousands):

Unredeemed taxes:	
Levy of 2003	\$ 1,642
Levy of 2002	231
Levy of 2001	140
Levy of 2000	5
Allowance for abatements	(27)
Subtotal	1,991

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Other taxes:

Other miscellaneous taxes 20

Total \$ 2,011

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 27,080	\$ -

7. Intergovernmental Receivables

Intergovernmental receivables of \$ 443,855 reported in the general fund represents tuition revenue received from area school districts in July and August 2003. The balance of \$ 1,088,990 reported in the nonmajor governmental funds represents amounts to be received on various expenditure driven grants.

The New Hampshire Department of Environmental Services annually reimburses the City for a portion of the principal and interest payments on Sanitary Sewer Fund bonds. The reimbursement is based upon the amount of the State's participation in the original sewer project. The amount due from the State in future years is as follows:

Fiscal Year Ended <u>June 30</u>	<u>Reimbursement For</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 829,603	\$ 483,827	\$ 1,313,430
2005	829,603	429,892	1,259,495
2006	829,603	372,210	1,201,813
2007	829,602	320,070	1,149,672
2008	<u>829,603</u>	<u>262,846</u>	<u>1,092,449</u>
Subtotal	4,148,014	1,868,845	6,016,859
2009-2013	<u>3,311,463</u>	<u>493,313</u>	<u>3,804,776</u>
Total	<u>\$ 7,459,477</u>	<u>\$ 2,362,158</u>	<u>\$ 9,821,635</u>

In the Sewer Enterprise fund the City has accrued \$ 230,340 of interest due in fiscal year 2004, along with all principal as Intergovernmental Receivables at June 30, 2003.

8. Loans Receivable

Loans receivable of \$ 618,898 in nonmajor governmental funds represent the uncollected balance of community development loans.

9. Interfund Fund Receivables/Payables

The City maintains self-balancing funds; however, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2003 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 939,808	\$ 18,738,878	\$ 1,381,880	\$ -
Nonmajor Governmental Funds:				
Special Revenue Funds:				
Housing rehabilitation	205,472	-	-	-
Economic DELP	142,333	-	-	-
CDBG	-	37,903	-	-
Police justice	7,148	-	-	-
Police DHA	8,796	-	-	-
Tobacco	-	7,145	-	-
Police transportation	-	17,764	-	-
School lunch	-	13,060	-	-
School categorical aid	-	795,972	-	-
Plan improvement	202,925	-	-	-
Dover main	-	6,324	-	-
Emergency management	49,737	-	-	-
Police parking	106,900	-	-	-
Planning conservation	720,236	-	-	-
Special programs	5,106	17,704	-	-
Tuition programs	-	43,936	-	-
Vocational center	1,036	-	-	-
Alternative education	39,327	-	-	-
Facilities fund	58,916	-	-	-
Library fines	32,556	-	-	-
Residential solid waste	120,569	-	-	-
Rec. field maintenance	51,571	-	-	-
Recreation programs	61,374	-	-	-
Expendable trusts	2,886	3,199	-	-
Capital Project Funds:				
CIP FY00	78,298	-	-	-
CIP FY01	265,665	-	-	-
CIP FY02	528,449	-	-	-
CIP FY03	4,550,765	-	-	-
Tolend road landfill	415,645	-	-	-
Rec. field construction	550,954	-	-	-

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<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
Major Proprietary Funds:				
Enterprise Funds:				
Water	3,316,074	-	-	-
Sewer	5,959,083	-	-	-
Arena	313	-	-	1,381,880
DIDA	15,967	-	-	-
Nonmajor Proprietary Funds:				
Internal Service Funds:				
Fleet maintenance	79,125	-	-	-
Dover net	41,135	-	-	-
Central stores	27,268	-	-	-
Workers' compensation	512,896	-	-	-
Fiduciary Funds:				
Private Purpose	9,797	-	-	-
Agency	<u>573,755</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,681,885</u>	<u>\$ 19,681,885</u>	<u>\$ 1,381,880</u>	<u>\$ 1,381,880</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 53,473	\$ 3,900	\$ -	\$ 57,373
Machinery, equipment, and furnishings	19,202	640	(25)	19,817
Infrastructure	<u>42,769</u>	<u>3,075</u>	<u>-</u>	<u>45,844</u>
Total capital assets, being depreciated	115,444	7,615	(25)	123,034
Less accumulated depreciation for:				
Buildings and improvements	(17,430)	(1,260)	-	(18,690)
Machinery, equipment, and furnishings	(6,718)	(1,364)	-	(8,082)
Infrastructure	<u>(27,066)</u>	<u>(1,492)</u>	<u>-</u>	<u>(28,558)</u>
Total accumulated depreciation	<u>(51,214)</u>	<u>(4,116)</u>	<u>-</u>	<u>(55,330)</u>
Total capital assets, being depreciated, net	64,230	3,499	(25)	67,704
Capital assets, not being depreciated:				
Land	10,334	-	-	10,334
Construction in progress	<u>12,546</u>	<u>2,597</u>	<u>(4,108)</u>	<u>11,035</u>
Total capital assets, not being depreciated	<u>22,880</u>	<u>2,597</u>	<u>(4,108)</u>	<u>21,369</u>
Governmental activities capital assets, net	<u>\$ 87,110</u>	<u>\$ 6,096</u>	<u>\$ (4,133)</u>	<u>\$ 89,073</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,284	\$ 67	\$ -	\$ 39,351
Machinery, equipment, and furnishings	5,048	378	-	5,426
Infrastructure	<u>39,402</u>	<u>440</u>	<u>-</u>	<u>39,842</u>
Total capital assets, being depreciated	83,734	885	-	84,619
Less accumulated depreciation for:				
Buildings and improvements	(11,343)	(1,166)	-	(12,509)
Machinery, equipment, and furnishings	(3,193)	(253)	-	(3,446)
Infrastructure	<u>(13,153)</u>	<u>(813)</u>	<u>-</u>	<u>(13,966)</u>
Total accumulated depreciation	<u>(27,689)</u>	<u>(2,232)</u>	<u>-</u>	<u>(29,921)</u>
Total capital assets, being depreciated, net	<u>56,045</u>	<u>(1,347)</u>	<u>-</u>	<u>54,698</u>
Capital assets, not being depreciated:				
Land	1,712	325	-	2,037
Construction in progress	<u>1,881</u>	<u>3,330</u>	<u>-</u>	<u>5,211</u>
Total capital assets, not being depreciated	<u>3,593</u>	<u>3,655</u>	<u>-</u>	<u>7,248</u>
Business-type activities capital assets, net	<u>\$ 59,638</u>	<u>\$ 2,308</u>	<u>\$ -</u>	<u>\$ 61,946</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	\$ 20
Public safety	257
Education	1,260
Public works	2,000
Culture and recreation	<u>579</u>
Total depreciation expense - governmental activities	<u>\$ 4,116</u>
Business-Type Activities:	
Water	\$ 501
Sewer	1,586
Arena	<u>145</u>
Total depreciation expense - business-type activities	<u>\$ 2,232</u>

11. Accounts Payable

Accounts payable represents fiscal year 2003 invoices paid in the subsequent fiscal year.

12. Accrued Liabilities

Accrued liabilities in the general fund represents salaries earned but unpaid to City and School employees at year end.

13. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the sum of all delinquent taxes at June 30, 2003 less property and unredeemed tax collections for the subsequent 60 days.

14. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

The City has not issued any revenue bonds. The bonds reported in the business-type activities are repaid from business-type activities' revenues. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Original Issue Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Bonds Payable:				
Public improvements 1988	\$ 3,462,000	7.1897% (2)	07/15/03	\$ 225,000
WWTP-State guaranteed 1988	1,295,000	6.9788% (2)	07/15/03	70,000
Public improvements 1989	2,816,220	6.7911% (1)	07/15/04	370,000
Public improvements 1990	4,414,280	6.9325% (1)	01/15/06	810,000
Public improvements 1991	2,722,500	6.6354% (1)	08/15/06	580,000
WWTP-State guaranteed 1991	10,500,000	6.6983% (1)	07/15/11	4,725,000
WWTP-State guaranteed 1991	7,300,000	6.5746% (1)	01/15/12	3,285,000
WWTP-State guaranteed 1992	450,000	5.5966% (1)	01/15/12	200,000
Public improvements 1993	1,188,338	5.4153%	08/15/08	480,000
Public improvements 1994	3,043,000	5.6100%	08/15/09	1,305,000
Public improvements 1995	3,356,711	5.3259%	08/15/10	1,700,000
Public improvements 1996	3,885,092	5.6554%	08/15/11	2,105,000
Energy conservation 1996	875,055	5.4059%	01/15/12	424,410
Public improvements 1997	1,002,327	4.8400%	08/15/12	575,000
Public improvements 1999	4,137,500	4.1900%	01/15/13	2,810,000
Public improvements 1999	2,179,901	5.5100%	01/15/15	1,730,000
New Middle School 1999	15,741,027	5.5800%	01/15/20	12,132,764
Public improvements 2001	22,991,400	4.4506%	06/15/21	19,990,000
Public improvements 2002	2,240,600	4.2300%	06/15/22	2,100,000
Public improvements 2003	<u>14,280,000</u>	3.1668%	06/15/24	<u>14,280,000</u>
Total bonds payable	107,880,951			69,897,174

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<u>Description</u>	<u>Original Issue Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Other Long-Term Debt:				
State revolving loan - Tolend landfill	1,271,357	3.5625%	09/01/13	932,328
State revolving loan - Griffin well	<u>250,000</u>	1.1875%	11/01/03	<u>22,649</u>
Total Long-Term Debt	<u>\$ 109,402,308</u>			<u>\$ 70,852,151</u>

(1) Refinanced, original NIC reflected.

(2) Refinanced, new NIC reflected.

B. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2003 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 4,214,821	\$ 1,644,938	\$ 5,859,759
2005	4,220,335	1,557,458	5,777,793
2006	4,025,607	1,476,191	5,501,798
2007	3,741,087	1,399,717	5,140,804
2008	3,492,838	1,335,997	4,828,835
2009 - 2013	14,983,773	5,830,641	20,814,414
2014 - 2018	9,082,599	4,808,134	13,890,733
2019 - 2023	1,890,032	1,925,153	3,815,185
2024 - 2028	<u>125,000</u>	<u>5,120</u>	<u>130,120</u>
Total	<u>\$ 45,776,092</u>	<u>\$ 19,983,349</u>	<u>\$ 65,759,441</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,547,139	\$ 1,211,892	\$ 3,759,031
2005	2,397,490	1,080,835	3,478,325
2006	2,307,490	960,847	3,268,337
2007	2,062,490	843,315	2,905,805
2008	2,030,490	740,603	2,771,093
2009 - 2013	8,756,960	2,182,890	10,939,850
2014 - 2018	3,949,000	712,347	4,661,347
2019 - 2023	<u>1,025,000</u>	<u>101,856</u>	<u>1,126,856</u>
Total	<u>\$ 25,076,059</u>	<u>\$ 7,834,585</u>	<u>\$ 32,910,644</u>

All governmental fund long-term debt will be repaid through the general fund. The City's proprietary fund future debt service is partially funded by state and as described in Note 7.

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2003 are as follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount</u>
Public Improvements 2004	2002/2003	\$ <u>4,789,000</u>

D. Maximum Debt Limit

The City is subject to state law which limits debt outstanding to a percentage (depending on how funds will be used) of its last full state valuation. Debt incurred for state required sewerage systems is not subject to the limit. The following is a summary, by purpose, of the outstanding debt of the City at June 30, 2003 and related limitations. These limits are based on the tax year 2002 base valuations for debt limits of \$ \$ 2,065,144,579 provided by the State Department of Revenue Administration.

<u>Purpose</u>	<u>Percent of State Assessed Value</u>	<u>Maximum Debt Limit</u>	<u>Applicable Bonds Outstanding at June 30, 2003</u>
Municipal	3%	\$ 61,954,337	\$ 25,855,410
School	7%	144,560,121	20,067,764
Water	10%	206,514,458	5,985,649
DIDA	-	5,000,000 *	1,455,000
Not subject to limitation	-	-	<u>17,488,328</u>
Total			\$ <u>70,852,151</u>

* Debt limit is set by special legislation.

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2003, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/03</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/03</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 40,616	\$ 9,159	\$ (3,999)	\$ 45,776	\$ (4,215)	\$ 41,561
Other:						
Compensated absences	3,225	143	(-)	3,368	(578)	2,790
Liability for hazardous waste-site cleanup	<u>11,016</u>	<u>-</u>	<u>(-)</u>	<u>11,016</u>	<u>(-)</u>	<u>11,016</u>
Totals	\$ <u>54,857</u>	\$ <u>9,302</u>	\$ <u>(3,999)</u>	\$ <u>60,160</u>	\$ <u>(4,793)</u>	\$ <u>55,367</u>

(continued)

(continued)

	Total Balance <u>7/1/02</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/03</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/03</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 22,227	\$ 5,121	\$ (2,272)	\$ 25,076	\$ (2,547)	\$ 22,529
Other:						
Compensated absences	<u>113</u>	<u>8</u>	<u>(-)</u>	<u>121</u>	<u>(-)</u>	<u>121</u>
Totals	\$ <u>22,340</u>	\$ <u>5,129</u>	\$ <u>(2,272)</u>	\$ <u>25,197</u>	\$ <u>(2,547)</u>	\$ <u>22,650</u>

15. Landfill Closure and Postclosure Care Costs

The City owned and operated a 55 acre landfill on Tolend Road from 1960 to 1979. On September 10, 1991 the Environmental Protection Agency issued a Record of Decision on the closure of the site, including the City as a Potentially Responsible Party (PRP). The current estimated cost of the closure is \$ 21.8 million. The City has negotiated its preliminary share at \$ 8,166,666 of the first \$ 20 million. This amount includes the Town of Madbury. The City appropriated \$ 2.0 million within the General Fund in fiscal year 1993 through fiscal year 1997 toward the eventual closure costs. \$ 260,000 was received from insurance companies through litigation. \$ 300,000 was received from the Town of Madbury for its full share. An additional \$ 317,000 was received from the State of New Hampshire for a 20% match toward costs to date. The liability of \$ 11,016,013, reported in the long-term debt account group includes an estimate of post closure cost of \$ 4,100,000.

The final allocation of the additional costs will be determined by further negotiations with the remaining seven PRPs or by court judgment. Thirty-one other PRPs have made final settlement on all costs related to the closure with EPA.

The City closed on a loan through the New Hampshire State Revolving Loan program for \$ 1,271,357 in fiscal year 1999. This covered the preliminary costs and capping design. The proceeds of \$ 1,500,000 of the \$ 14,280,000 general obligation bonds issued June 15, 2003 will be used in connection with remediation work at the landfill site.

The City has been in negotiations with the EPA and the State of New Hampshire Department of Environmental Services to implement an alternative to the closure capping. The new technique involves bio-remediation and carries significant savings versus conventional capping. The City received approval for and is in the process of a pilot program to determine the effectiveness of this method. As a result, the City received a four year deferral of the capping requirement from EPA. A final decision from EPA is expected in the next

several months. \$ 1,500,000 of the June 15, 2003 bond issue relates to continued expenses of the pilot program and legal expenses.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

17. Reserves and Designations of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use. Fund "designations," which are not legally required segregations, have also been established to indicate tentative plans for future financial utilization.

The following types of reserves and designations are reported at June 30, 2003:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Advances - An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Specific Purposes - Represents the amount of fund balance committed for debt service in subsequent years.

18. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute

a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

19. Post-Retirement Health Care

The City provides certain health care benefits for retired employees and will provide benefits to current employees hired prior to January 1, 1991 upon retirement. In order to participate in the City Group Health Insurance Program (the Retiree Group), the employee must be enrolled in the City group plan upon the date of retirement from the City, must be at least age 62 (age 60 with 35 or more years of service), and must be vested in the New Hampshire Retirement System. Any retirees who leave the Retiree Group may not reenter.

Persons who retire from the City with at least ten (10) years of creditable services in the New Hampshire Retirement System but prior to the minimum age 62 must maintain an unbroken participation (at retiree's expense) in the Retiree Group from the effective date of their retirement until qualifying for the City-paid premium benefit in order to become eligible for such City-paid premium benefit at a later date. Persons who have participated in both the City's group health insurance and the New Hampshire State Retirement System for at least 24 consecutive months immediately prior to retirement, but who are not vested in the New Hampshire Retirement System, may also join the Retiree Group at their own expense.

As of June 30, 2003, there were approximately 29 retirees, including eligible spouses, receiving health care benefits. The City recognizes the cost of providing these benefits as paid. These costs totaled \$ 108,733 for the fiscal year ended June 30, 2003.

20. Self-Insurance

The City is a self-insurer of workers' compensation for all City employees, contracting with an insurance carrier for excess liability coverage. Under the terms of its insurance coverage, the City is liable for \$ 300,000 per incident. The insurer's limit of liability is \$ 3,000,000. The City does not carry any aggregate insurance. Funding of the workers' compensation internal service fund is through charges levied to the general, special revenue and enterprise funds.

Net Assets and Claims Liability

The following represents changes in the Workers' Compensation Fund Net Assets and Claims Liability:

	<u>Net Assets</u>	<u>Claims Liability</u>
Balance, July 1, 2002	\$ 53,196	\$ 501,349
Operating revenues	335,808	-
Claims incurred	-	189,746
Operating expenditure	(267,341)	-
Claims paid	<u>-</u>	<u>(300,723)</u>
Balance, June 30, 2003	\$ <u>121,663</u>	\$ <u>390,372</u>

21. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Pension Plan

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

The City contributes to the New Hampshire Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:41-a of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute between 5% and 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A: 16, and range from 3.94% to 5.40% of covered compensation. The City's contributions to the System for the years ended June 30, 2003, 2002 and 2001 were \$ 1,133,880, \$ 1,020,217 and \$ 927,117, respectively, which were equal to its annual

required contributions for each of these years. Employee contributions to the System for the years ended June 30, 2003, 2002 and 2001 were \$ 1,786,910, \$ 1,609,822 and \$ 1,502,795, respectively.

23. Implementation of New GASB Pronouncements

During fiscal year 2003, the following GASB pronouncements were implemented:

- Statement #34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.
- Statement #37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*.
- Statement #38, *Certain Financial Statement Note Disclosures*.

The pronouncements identified above are all related to the new financial reporting requirements as defined in Statement #34. Fiscal year 2003 is the required implementation date. The most significant changes required by the new financial reporting standards are as follows:

- Management's discussion and analysis.
- Basic financial statements, which include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting.
 - Fund financial statements, consisting of a series of statements that focus on major governmental and enterprise funds.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

As a result of implementing these pronouncements, the following restatements have been made to the beginning fund balances:

<u>Fund</u>	<u>Fund Equity June 30, 2002 (As previously reported)</u>	<u>Reclassification</u>	<u>Capitalize Additional Fixed Assets</u>	<u>Fund Equity June 30, 2002 (As Restated)</u>
Special Revenue Fund	\$ 560,263	\$(1,560,263)	\$ -	\$ -
Capital Project Fund	3,254,907	(3,254,907)	-	-
Trust Fund	4,164,795	(4,164,795)	-	-
Enterprise Fund	44,722,940	(44,722,940)	-	-
Water Fund	-	9,053,364	4,623,910	13,677,274
Sewer Fund	-	36,597,724	3,286,866	39,884,590
Arena Fund	-	(598,201)	178,115	(420,086)
DIDA Fund	-	1,084,271	-	1,084,271
Private Purpose Trust Fund	-	500,430	-	500,430
Nonmajor Gov. Funds	-	7,065,317	-	7,065,317

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Combining Financial Statements

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Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- Community Development Fund - To account for grant proceeds received from the US Dept. of Housing and Urban Development under the Community Development Block Grant (CDBG) program and the related program and sub-grant expenditures.
- Housing Rehabilitation Loan Fund - To account for loans given to low and moderate income individuals for the purpose of improving their private dwellings.
- Economic Development Loan Fund - To account for loans given to small business for the purpose of business establishment or expansion.
- Police DOJ Fund - To account for grant proceeds from the U.S. Dept. of Justice for various drug and alcohol awareness and prevention programs.
- Police DHA Fund - To account for funds received from the Dover Housing Authority for payment toward funding a Police Office presence at their housing area.
- Police DOT Fund - To account for grant proceeds from the U.S. Dept. of Transportation for various driving safety programs.
- Police Tobacco Fund - To account for grant proceeds for various tobacco awareness and prevention programs.
- Fire Emergency Management Fund - To account for grant proceeds from the U.S. Federal Emergency Management Agency for preparation for major disasters.
- School Cafeteria Fund - To account for cafeteria operations of the Dover School system, including reimbursement from the U.S. Dept. of Education and receipt of U.S. Dept. of Agriculture food commodities.
- School Federal Aid Fund - To account for grants received from the U.S. Dept. of Education for various programs supporting School operations.

- School Special Programs Fund - To account for Healthy Universal Beginnings program and ancillary education programs supported by the Dover School system and funded mainly by non-federal grants.
- Dover Main Street Fund - To account for the expenditures related to the Main Street Program, reimbursed by the Dover Main Street, Inc.
- Planning Improvements Fund - To account for the funds received pursuant to Planning Board conditions for approval and held for related offsite improvements or other expenditures.
- Parking Activity Fund - To account for revenues of all parking lots, leased parking spaces and metered parking and expenditures of enforcement, lighting and snow removal.
- Police Special Fund - To account for forfeiture proceeds and special investigative expenditures.
- Conservation Fund - To account for the proceeds of current use (land change) penalties and the purchase of land or easements for conservation purposes.
- Residential Solid Waste Fund - To account for revenue from the sale of garbage bags and waste tags to local outlets for resale to the public and the expenditures of residential solid waste pickup and disposal.
- Recreation Programs Fund - To account for the revenue and expenditures of self-supporting recreational programs.
- Recreation Field Maintenance Fund - To account for 10% of the proceeds of the sale of the City gravel for use to maintain recreation fields.
- Library Fines Fund - To account for revenue assessed on late return of books for use to purchase books, periodicals, etc. for the Public Library.
- Tuition Programs Fund - To account for the revenue and expenditures for Dover School supported Dover Adult Learning Center and Summer Sessions.
- Vocational Center Fund - To account for revenues and expenditures of minor programs of the Dover High School's Regional Vocational Education Center.
- School Alternative Education Fund - To account for the revenues and expenditures of the Alternative Education Center of the Dover High School.
- School Facilities Fund - To account for gate receipts used toward the cost of facility maintenance and upgrades.

- Other Special Revenue Funds - To account for revenues and expenditures associated with various special revenue funds, formally classified as trusts under the "Pre-GASB 34" reporting model.

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment.

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PALMER & DODGE LLP

111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

(Date of Delivery)

Jeffrey Harrington, Finance Director and Treasurer
City of Dover
Dover, New Hampshire

(Dover Capital Improvement Bonds)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$9,816,000 Capital Improvement Bonds dated June 15, 2004, by the City of Dover, New Hampshire.

On the basis of this examination we are of opinion, as of the date hereof and under existing law, as follows:

- (1) The bonds are valid general obligations of the City of Dover, and all taxable property in the City is subject to taxation without limitation as to rate or amount to pay the bonds and the interest thereon.
- (2) The interest on the bonds is exempt from the New Hampshire personal income tax on interest and dividends. We express no opinion as to other New Hampshire tax consequences arising with respect to the bonds.
- (3) The interest on the bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds. Except as expressed in the following paragraph, we express no opinion regarding other federal tax consequences arising with respect to the bonds.

(4) The bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

The rights of the holders of the bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Dover, New Hampshire (the "City") in connection with the issuance of its \$9,816,000 Capital Improvement Bonds dated June 15, 2004 (the "Bonds"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by the State of New Hampshire as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than 270 days after the end of each fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate

documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted when available separately from the balance of the Annual Report.

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the City's Official Statement dated June 2, 2004 relating to the Bonds regarding (i) the revenues and expenditures of the City relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the City, and (vi) pension obligations of the City, and

(b) the most recently available audited financial statements of the City, prepared in accordance with generally accepted accounting principles (except for the omission, if any, of a statement of fixed assets).

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The City shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3 and 10 above are not applicable to the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the City), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the City of its obligations under this Disclosure Certificate. A default under this

Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action for specific performance of the City's obligations hereunder and not for money damages in any amount.

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 2004

CITY OF DOVER, NEW HAMPSHIRE

By _____
Finance Director and Treasurer

City Manager

[EXHIBIT A: List of National Repositories]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Obligations effective as of the date of issuance of the Obligations. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Obligations which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Obligations and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Obligations become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Obligations, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Obligations on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Obligations, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent/Bond Registrar has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Obligations to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Obligations to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering Holder’s rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation (“Ambac Assurance”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$7,670,000,000** (unaudited) and statutory capital of approximately **\$4,683,000,000** (unaudited) as of **March 31, 2004**. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations.

Ambac Assurance makes no representation regarding the Obligations or the advisability of investing in the Obligations and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “Ambac Bond Insurance and Specimen”.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company’s Current Report on Form 10-K dated December 31, 2003 and filed on March 15, 2004;
2. The Company’s Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004; and
3. The Company’s Current Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “**Available Information**”.



Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee